



School Teachers'
Review Body

School Teachers' Review Body – Twenty-Seventh Report – 2017

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TWENTY-SEVENTH REPORT – 2017

Chair: Dr Patricia Rice

Cm 9454

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**Presented to Parliament by the Prime Minister
and the Secretary of State for Education
by Command of Her Majesty**

July 2017

Cm 9454



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TERMS AND ABBREVIATIONS

Consultees

ASCL
ATL
DfE/the Department
NAHT
NASUWT
NEOST
The NGA
The NUT
Secretary of State
UCAC
Voice
Welsh Government

Organisations which made representations and provided evidence to the STRB

Association of School and College Leaders
Association of Teachers and Lecturers
Department for Education
National Association of Head Teachers
National Employers' Organisation for School Teachers
National Governors' Association
National Union of Teachers
Secretary of State for Education
Undeb Cenedlaethol Athrawon Cymru

Other

AGR Association of Graduate Recruiters
ASHE Annual Survey of Hours and Earnings
ASTs Advanced Skills Teachers
BAME Black, Asian and minority ethnic groups
CPI Consumer Prices Index
DSG Dedicated Schools Grant
EBacc English Baccalaureate
EFA Education Funding Agency
ESG Education Services Grant
Estyn Education and training inspectorate for Wales
ETs Excellent Teachers
EU European Union
EWC Education Workforce Council
FTE Full-time equivalent
GDP Gross Domestic Product
HESA Higher Education Statistics Agency
IDR Incomes Data Research
ITE Initial Teacher Education (Wales)
ITT Initial Teacher Training (England)
MPR Main Pay Range
NAO National Audit Office
NCTL/National College National College for Teaching and Leadership
NFF National Funding Formula
NPQH National Professional Qualification for Headship
NQT Newly Qualified Teacher
NTS National Teaching Service
OBR Office for Budgetary Responsibility

| | |
|-------------------------|--------------------------------------------------------------------------------------------------------------------|
| Ofsted | Office for Standards in Education, Children’s Services and Skills |
| OME | Office of Manpower Economics |
| ONS | Office for National Statistics |
| PTR/PAR | Pupil to teacher ratio/Pupil to adult ratio |
| Pupil Premium | Additional funding in England to help schools raise the relative attainment of children who are disadvantaged |
| QTS | Qualified Teacher Status |
| RPI | Retail Prices Index |
| School Direct | ITT based in schools |
| SCITT | School-Centred Initial Teacher Training |
| SEN | Special Educational Needs |
| SOC | Standard Occupational Classification |
| STEM | Science, Technology, Engineering and Mathematics |
| STPCD | DfE (2016) <i>School Teachers’ Pay and Conditions Document and Guidance on School Teachers’ Pay and Conditions</i> |
| STRB/Review Body | School Teachers’ Review Body |
| SWC | School Workforce Census |
| TES | Times Educational Supplement |
| TLR | Teaching and Learning Responsibility |
| TPS | Teacher Pension Scheme |
| TSM | Teacher Supply Model |
| UPR | Upper Pay Range |
| UTT | UCAS Teacher Training |

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THE SCHOOL TEACHERS' REVIEW BODY

Our role

The School Teachers' Review Body (STRB) was established in 1991 as an independent body to examine and report on such matters relating to the statutory conditions of employment of school teachers in England and Wales as may from time to time be referred to it by the Secretary of State. The STRB reports to the Prime Minister and the Secretary of State. The legal foundation for the function and work of the STRB is Part Eight of the Education Act 2002. The secretariat for the STRB is provided by the Office of Manpower Economics (OME).

The members of the STRB are:

Dr Patricia Rice (Chair)

Peter Batley

Sir Robert Burgess

Ken Clark

Dan Flint

Philippa Hird

Mike Redhouse

Jeanne Watson

Executive summary

Our remit on pay for September 2017

The Secretary of State asked us to make recommendations on: *what adjustments should be made to the salary and allowance ranges for classroom teachers, unqualified teachers and school leaders to promote recruitment and retention within the 1% limit for pay awards for public sector workers.* She asked us, when considering our recommendations, to have regard to: the Government's policy on public sector pay awards; affordability, at both national level and for individual schools; evidence of the national state of teacher and school leader supply; evidence of the wider state of the labour market; forecast changes in the pupil population and the level of demand for teachers; and the Government's commitment to increasing autonomy for schools in relation to pay. She also drew our attention to a letter from the Chief Secretary to the Treasury that emphasised that pay awards should be applied in a targeted manner to support the delivery of public services and to address recruitment and retention pressures. The Secretary of State made clear in her evidence that schools would have to manage the cost of implementing adjustments to the pay and allowance ranges within existing funding allocations.

The unions representing teachers and school leaders told us that an increase of more than 1% was required, arguing that this was needed to counteract real-terms reductions in pay for teachers and to respond to pressures affecting recruitment and retention. They also stated that this pay uplift should be applied uniformly to the salaries and allowances received by all teachers. Most unions emphasised that the Department should provide additional funding to schools to meet the cost of any pay uplift. Organisations representing employers and head teachers also noted concerns about schools' ability to manage the cost of implementing uplifts to teachers' pay ranges in September 2017.

Our analysis

New and recent graduates have always comprised a significant proportion of entrants into the teaching profession, and the state of the graduate labour market is therefore an important influence on teacher supply. Our analysis of earnings shows that average starting salaries and profession-wide earnings remain considerably lower for teaching than for other graduate professions. In addition, while there is uncertainty about the future, general employer demand for new and recent graduates continues to increase.

The trends in teacher recruitment and retention data show that schools continue to face substantial pressures. The overall target for recruitment to Initial Teacher Training (ITT) was missed in 2016/17 for the fifth successive year, and the specific targets for most secondary subjects were missed. The number of qualified teachers leaving the profession for reasons other than retirement has continued to rise, and teacher retention rates have deteriorated, including for those with two to five years' service. The number of schools reporting teacher vacancies and temporarily-filled posts has also increased markedly over the last five years.

The cumulative impact of these factors creates a real risk that schools will not be able to recruit and retain a workforce of high quality teachers to support pupil achievement. We are particularly concerned about this because demographic trends indicate rising pupil numbers and therefore rising demand for teachers in the coming years. At the same time, the pool of recent graduates from which to recruit is expected to shrink as a result of a smaller cohort of 18 to 21 year-olds.

Our analyses of school finances show that schools are working under increasing financial constraints. Between now and 2020, many schools will face both real-terms reductions in the level of per-pupil funding and growing cost pressures. Difficult choices may be inescapable. Since staff pay represents the largest single item of expenditure for almost every school,

particular attention will have to be focused on the way in which pay is managed to support an effective teaching workforce. The evidence suggests that this will represent a significant challenge for some school leaders and governing bodies.

Our conclusions and recommendations

It is essential that the national pay and allowance framework for teachers attracts high quality graduates to the profession, retains experienced and capable teachers, and motivates and rewards fairly those who take on additional responsibilities and leadership positions. We consider that the evidence supports the case for an uplift to the pay framework which will strengthen the position of teaching in relation to other graduate professions and start to mitigate recruitment and retention pressures.

We noted, and carefully considered, the evidence we received about schools' financial situations. School leaders and governing bodies will face a range of financial challenges over this Spending Review period, and it is clear that some schools will find it challenging to implement any pay uplift at all. However, pupil achievements are largely dependent on schools maintaining a strong cadre of teachers. This will require school leaders and governing bodies to make best use of their people and give the necessary priority to teachers' pay within their schools' budgets. The new teachers' pay framework introduced by recent reforms has given them additional tools to help with this.

Taking all factors into account, we conclude that action is required now to make the teachers' pay framework more competitive. In the context of the overall financial situation, we think this should be targeted to support the recruitment and retention of teachers in the early stages of their careers. **For September 2017, we recommend:**

- **A 2% uplift to the minimum and maximum of the main pay range (MPR);**
- **A 1% uplift to the minima and maxima of the upper pay range (UPR), the unqualified teacher pay range and the leading practitioner pay range;**
- **A 1% uplift to the minima and maxima of the leadership group pay range and all head teacher group pay ranges; and,**
- **A 1% uplift to the minima and maxima of the Teaching and Learning Responsibility (TLR) and Special Educational Needs (SEN) allowance ranges.**

It is for school leaders and governing bodies to implement these changes to the national pay framework in accordance with their pay policies and within the funding available.

Looking ahead

Economic uncertainty means that it is difficult to predict the future state of the labour market. However, we consider it likely that further uplifts of more than 1% will be required to elements of the pay framework in the coming years to make pay more competitive for teachers at all stages of their careers. Accordingly, the Department and other consultees should help school leaders and governing bodies in the effective management of pay within their budgets.

The Secretary of State told us in her oral representations that one of her priorities was to strengthen teaching as a graduate profession. As part of this, **the Department should review the current national pay and allowance framework for classroom teachers. The STRB would welcome the opportunity to contribute to such a review as part of a future remit.**

CHAPTER 1

Introduction and background to the remit

Introduction

- 1.1 The role of the School Teachers' Review Body (STRB), as set out in the Education Act 2002, is to consider matters referred to us by the Secretary of State for Education relating to the pay and conditions of school teachers in England and Wales. After our consideration, we report and make recommendations to the Prime Minister and the Secretary of State. We received a remit letter from the Secretary of State on 25th October 2016 that asked us to consider:
 - *What adjustments should be made to the salary and allowance ranges for classroom teachers, unqualified teachers and school leaders to promote recruitment and retention within the 1% limit for pay awards for public sector workers.*
- 1.2 This remit letter (at Appendix A) asked us to provide our recommendations by early April 2017. It also stated that we should have regard to six considerations when considering our recommendations: the Government's public sector pay policy; affordability at a national level and for individual schools; the national state of teacher and school leader supply; the labour market in England and Wales; changes in pupil population and the consequent impact on the demand for teachers; and the Government's commitment to increasing autonomy for schools on pay matters. The remit letter also referred to a letter of 13th July 2016 from the previous Chief Secretary to the Treasury (at Appendix B). This set out the Government's continuing policy of pay restraint for workers across the public sector and the expectation that pay awards would be targeted to support the delivery of public services and to address recruitment and retention pressures.
- 1.3 This introductory chapter describes the wider context to this remit, sets out our approach to conducting this review, and outlines the structure of this report.

Background and context

- 1.4 The framework for the pay and conditions of school teachers in England and Wales has been substantially reformed in recent years. The main elements of these reforms were introduced by the Government following the recommendations of our 21st and 23rd reports (published in December 2012 and February 2014 respectively). These changes were underpinned by the principle that school leaders and governing bodies should have greater autonomy to manage pay in order to maintain an effective teaching workforce that can support pupil achievement.
- 1.5 Under the reformed system, the School Teachers' Pay and Conditions Document (STPCD) provides a broad national pay framework within which school leaders and governing bodies have flexibility to set school-level pay policies that respond to local circumstances. The reforms introduced pay progression related to an annual appraisal of performance for all teachers. Alongside this, the Review Body emphasised the expectation – subsequently endorsed by Government – that good teachers should progress to the maximum of the main pay range within about five years.
- 1.6 Recognising that these changes would require a major cultural shift which would be challenging for some schools, we recommended that aspects of their implementation were phased. Our 24th report (June 2014) acknowledged the need for transitional support by recommending that, in the first year of operation of the new system, the pay of teachers on the maximum of each pay range was automatically uplifted to the new

maximum and by including discretionary scale points within the pay ranges for guidance. The report did emphasise, however, that this was to help manage transition to the new system; we made clear that, in principle, all uplifts to basic pay for teachers should in future take account of performance.

- 1.7 The new system was then applied in full in the recommendations in our 25th report (March 2015), which removed all transitional arrangements. This report confirmed that the foundations of the reformed pay system were the principles of school autonomy within a national framework and pay progression related to an annual appraisal of performance for all teachers. We recommended that the maxima and minima of pay ranges should be uplifted by 1% except for the maximum of the main pay range, which would increase by 2%, and the maximum of the leadership pay range, which would receive no uplift. The report made clear that these adjustments should not automatically translate into pay increases for every teacher and also stated that discretionary scale points should be removed from Departmental advice. Other than making sure that no teacher was paid less than the new minimum of their pay range, schools should determine locally, in accordance with their pay policies, how to apply pay uplifts to individual teachers – including for those on the maximum of their pay range – taking into account performance.
- 1.8 Our 26th report (July 2016) recommended a 1% uplift to the maxima and minima of all pay and allowance ranges. It also reiterated that, under the current system, it was for individual schools to consider how these changes should apply to individual salaries and allowances in payment, in accordance with their pay policies. Our remit also asked us to consider providing additional flexibilities to schools but, following our consideration of the evidence, we recommended that no change should be made to the STPCD in relation to non-consolidated payments or for ‘stepping down’ from the upper to the main pay range. The Government accepted all our recommendations.
- 1.9 In our 26th report, we commented on the teacher labour market and the competitiveness of the teachers’ pay framework. Our assessment was that the evidence on recruitment and retention presented a strong case for an uplift in excess of 1%. However, we had serious concerns about schools’ readiness to manage a higher pay award within their budgets. In light of this, we recommended a 1% uplift, but our report made clear that, if trends in relation to recruitment and retention continued, we expected that an uplift of significantly more than 1% would be required in the course of this Parliament to make sure that the teacher pay framework remained competitive. We urged the Department and other consultees to take steps to help schools to prepare for managing such a pay uplift.
- 1.10 We undertook the current remit against the backdrop of the Government’s continued policy of pay restraint for public sector workers and the outcome of the referendum on the UK’s membership of the EU in June 2016. We consider – and our consultees generally agreed – that it is too early to assess fully the impact of the latter on the teaching workforce. We expect, however, that the implications of the UK’s departure from the EU on teacher supply and the wider graduate labour market will be a factor in future reports.
- 1.11 The appetite of schools for making use of their autonomy in relation to pay and their capacity to do so effectively remain important issues. We are disappointed that an evaluation of the recent pay reforms commissioned by the Department has still not been completed. While we understand that the report of this evaluation is due to be published soon, it is unhelpful that we – and our consultees – have not been able to consider this research as we undertake the current remit. In the absence of the Department’s evaluation report, we have made use of information about schools’ responses to these pay reforms that has been provided to us by other consultees.

Our approach to the review

- 1.12 As in previous years, we considered and analysed written representations from our statutory consultees¹, including the Secretary of State. We provided consultees with an opportunity to comment on others' written submissions.
- 1.13 We then held oral representation sessions with our consultees to explore their position on various topics relevant to the remit and their views on the written representations submitted by others. We heard from: the Department, including the Secretary of State; the Welsh Government; teacher and head teacher unions and associations; employer representatives; and school governor representatives. Chapter 2 sets out the main points made by our consultees in their written and oral representations. Where consultees have published their full submissions online, we have provided links in Appendix C.
- 1.14 We thank all our consultees for their written submissions and useful contributions at oral evidence sessions. These enabled us to consider the remit issues thoroughly and examine critically the available evidence before making our recommendations. We note that the timescale set for us this year meant that we had to give consultees less time for making representations than in previous years. We are therefore particularly grateful for the timely submission of representations.
- 1.15 We also explored other sources of evidence about the teaching workforce. We particularly noted the National Audit Office (NAO) report, *Financial sustainability of schools*², and the House of Commons Education Committee report, *Recruitment and retention of teachers*³, and research on the teacher labour market undertaken by independent analysts, which are cited throughout this report. We considered trends in relation to the recruitment and retention of teachers, the wider labour market for graduates and comparisons between teacher earnings and those of other graduate professions. This made sure that we had a broad overview of the environment for attracting and retaining good graduates to the teaching profession. This evidence is set out fully in Chapter 3, along with a range of data on earnings and pay settlements across the market as a whole. Given the requirement to consider affordability, we also sought evidence on the current budgetary context in which maintained schools operate and trends in schools' financial resources. This evidence is set out fully in Chapter 4.
- 1.16 We make recommendations on changes to the School Teachers' Pay and Conditions Document (the STPCD). The provisions of the STPCD apply to teachers in local authority maintained schools in England and Wales, so much of our analysis in this document focuses on these schools and the teachers who work in them. We recognise, however, that teachers do move between academies and local authority maintained schools and that some academies, while not required to do so, adhere to the provisions of the STPCD. At some points in this report, we have therefore considered it relevant to also analyse and present evidence in relation to the academy sector.
- 1.17 A further important component of our evidence is the material we gather on our visits to schools. Our visits provide valuable additional input and context, and increase our understanding of the issues faced by teachers and school leaders. We formally record our thanks to those schools and local authorities we have visited this year (listed in Appendix C).

¹ An obligation to consult with the Secretary of State and other relevant bodies is placed on the Review Body by section 121 of the Education Act 2002. The individual organisations which we consulted are listed in Appendix C.

² National Audit Office (2016) *Financial sustainability of schools* – <https://www.nao.org.uk/wp-content/uploads/2016/12/Financial-sustainability-of-schools.pdf>

³ House of Commons Education Committee (2017) *Recruitment and retention of teachers* – <https://www.publications.parliament.uk/pa/cm201617/cmselect/cmeduc/199/199.pdf>

1.18 Finally, we also wish to thank those from the College of Teaching, Institute for Fiscal Studies, National Audit Office, National College for Teaching and Leadership, and Department for Education who met and provided information to us at first hand (further details in Appendix C).

The structure of this report

1.19 This report provides our recommendations in respect of the matters referred to us by the Secretary of State and the evidence base and rationale for our decisions. Its structure is as follows:

- Chapter 2 summarises the written and oral representations made by the Department and our other statutory consultees on this remit.
- Chapter 3 presents data on the teacher labour market, including our detailed analysis of teacher and wider graduate earnings.
- Chapter 4 presents data on school finances, including our detailed analysis of school-level funding.
- Chapter 5 sets out our assessment of the context to this pay round and our consideration of the matters relevant to teachers' pay and conditions. It then presents our conclusions and recommendations on the remit.
- Chapter 6 looks ahead to matters that may be relevant to our consideration of teachers' pay and conditions in coming years.

CHAPTER 2

Overview of the evidence from the Department and consultees

- 2.1 This chapter summarises the representations made by our consultees in relation to the 2017/18¹ remit. It covers: general points on the remit and responses to our 26th report (July 2016); the economic and labour market context; teacher recruitment; teacher retention; teacher earnings; pay reforms; schools' financial resources; and views on a 2017/18 pay award. Each section starts with the main points made by the Department followed by the views of the Welsh Government, and then goes on to summarise the points made by the other consultees.

General points on the remit and responses to the 26th report

The Department's views

- 2.2 The Department's submission provided context to the remit by outlining the Government's fiscal strategy. While plans to achieve a fiscal surplus by 2020 had been dropped in November 2016 as a consequence of weaker growth forecasts and uncertainty following the EU referendum, it confirmed that the Government still intended to balance public finances as soon as it could in the next Parliament. Pay restraint in the public sector – delivered through the Government's policy that pay awards should average 1% a year until 2019-20 – remained an important element of these plans and was expected to save £5 billion in the current Parliament. In her oral representations, the Secretary of State emphasised the importance of control over public sector pay to support the Government's priority of reducing the deficit. She stated that, if some parts of teachers' pay ranges were to be uplifted by more than 1%, this would therefore have to be offset by smaller increases elsewhere to keep within the overall 1% pay award.
- 2.3 The Department confirmed that the Government had accepted the recommendation in our 26th report for a 1% uplift to the minima and maxima of all national pay and allowance ranges. It also welcomed our statement that schools should determine, in accordance with their pay policies, how this was applied to individual salaries and allowances in payment. It said that this approach should also be taken in any recommendations made in our 27th report.

Welsh Government views

- 2.4 The Welsh Government told us that it disagreed with the UK Government's policy of giving schools autonomy to develop their own pay arrangements within the national framework. It argued that a single system of pay and conditions for teachers in Wales would be fairer and more cost effective.
- 2.5 The Welsh Government's submission stated that it was "actively pursuing" the devolution of responsibility for teachers' pay and conditions. It argued that this would allow a framework of pay and conditions specific to teachers in Wales to be implemented. In their oral representations, Welsh Government officials told us that, following the enactment of the Wales Act 2017, they expected the pay and conditions of teachers in Wales to be devolved from September 2018.

¹ Throughout this report, dates in the format '2017/18' refer to the academic year (September to August). Dates in the format '2017-18' refer to the financial year (April to March).

Consultees' comments on the remit and responses to the 26th report

- 2.6 We asked consultees to share their written representations and gave them an opportunity to respond to points raised by other consultees. We note that all teacher unions argued that the Department's written representations did not recognise the extent of problems in teacher recruitment and retention and omitted to refer to some of its own published research on the teaching workforce. The teacher unions also noted that the Department had not responded to the statement in our 26th report that: *"if recruitment and retention trends continue, we expect an uplift to the pay framework significantly higher than 1% will be required in the course of this Parliament"*. Many of our consultees shared the view that this statement was highly relevant in setting the context to the consideration of the current remit. UCAC also expressed disappointment that the Department had not gathered and submitted adequate evidence about the teaching workforce in Wales.
- 2.7 All but one of the teacher unions that submitted evidence expressed concern about the remit. The representations from ASCL, NAHT, NASUWT, the NUT, UCAC and Voice all expressed strong opposition to the reference to a 1% limit in the remit. Some argued that this limited the ability of the Review Body to fulfil its statutory role and make independent, evidence-based recommendations; others considered that it would be impossible for the STRB to both adhere to this limit and promote recruitment and retention. While ATL did not specifically challenge the remit in its submission, it did urge us to exercise independence and make recommendations that were not constrained by a limit of 1%. NEOST also asserted during its oral representations that the STRB's remit of addressing recruitment and retention challenges within a 1% limit was not achievable.
- 2.8 Some consultees also challenged the Department's requirement that the STRB should take into account affordability. ASCL argued that this would place a further limit on the pay award that the STRB could recommend. The NUT asserted that school funding was in crisis and, in this context, the Review Body could not meaningfully pay regard to affordability when making its recommendations. NASUWT warned that including school-level affordability in the remit could lead to a "race to the bottom" on teachers' pay. NAHT argued that this set the STRB an "impossible task" of having to balance affordability issues with recruitment and retention pressures.
- 2.9 The NGA's submission expressed disappointment at the "narrow frame" of the remit, particularly noting the fact that it did not include any specific reference to leadership pay.
- 2.10 Some consultees commented on the devolution of teachers' pay and conditions in Wales in their representations, providing differing views. UCAC welcomed the transfer of competence for these matters to the Welsh Government. ATL expressed concerns, arguing that devolution could have a detrimental effect on the teaching workforce in Wales and that safeguards should therefore be put in place.

Economic and labour market context

The Department's views

- 2.11 The Department noted that the independent Office for Budget Responsibility (OBR) had predicted that there would be a period of economic uncertainty as the UK negotiates its departure from the EU. But it also argued that the UK was in a strong economic position, with Gross Domestic Product (GDP) continuing to grow. It reported that inflation had recently risen and that the OBR had forecast further increases in the year ahead.

2.12 The Department argued that there was evidence of a strengthening labour market in recent years. While acknowledging some uncertainty about the future, it pointed out that the data from July to September 2016 showed that:

- the employment rate was 75.5% – the highest on record; and,
- the unemployment rate had fallen to 4.8% and the youth unemployment rate to 13.1% – for both, this was an 11 year low.

It also reported that wage growth had been stable – and low by historical standards – at 2.3% a year in nominal terms and 1.7% in real terms.

Welsh Government views

2.13 The Welsh Government argued that the Welsh labour market was improving. It reported that the employment rate in Wales had reached a record high of 73.5% in August 2016 and the unemployment rate was 4.3%, having fallen by 1.7 percentage points in the previous year. It also argued that historic gaps in employment and inactivity rates between Wales and the rest of the UK had continued to narrow.

Consultees' comments on the economic and labour market context

2.14 A number of teacher unions commented on the economy and labour market. ATL noted forecasts that the economy will remain resilient and argued that this will mean a tightening labour market in which average earnings are rising faster than inflation. ASCL, NAHT and NASUWT cited a 2016 High Fliers report on graduate recruitment² and argued that this showed a high demand for graduates across the UK and increasing competition in the graduate labour market. The NUT stated that it considered the graduate jobs market to be buoyant.

2.15 A number of consultees' submissions also considered inflation and its impact on teachers' pay. ATL, NASUWT and the NUT noted the forecasts of rising inflation and argued that this would mean that adhering to the policy that pay awards should average 1% would result in a real-terms pay cut for teachers.

Teacher recruitment

The Department's views

2.16 The Department argued that teaching continued to be an attractive profession for high quality graduates, noting that the proportion of new entrants with a 2:1 or above had increased to 75% in 2015/16, up from 63% in 2010/11. It stated that the continuing popularity of teaching as a graduate profession was also demonstrated by the fact that it had recruited 94% of the overall number of trainees it set out to train in 2015/16. Its submission also provided provisional data on recruitment to initial teacher training (ITT) for 2016/17 which indicated that it had achieved 93% of its target for trainees for post-graduate primary and secondary programmes.

2.17 The Department's submission stated that the increased flexibility granted to schools to determine starting salaries and the rate of pay progression would help them attract and retain the best teachers and target specific subjects where shortages exist. It also noted a number of other initiatives to promote recruitment, including:

- offering training bursaries of up to £30,000 for certain English Baccalaureate (EBacc) subjects;

² High Fliers (2016) *The Graduate Market in 2016* – http://www.highfliers.co.uk/download/2016/graduate_market/GMReport16.pdf

- the School Direct Programme, which enabled schools to train talented people from their local graduate labour market;
- expansion of the Teach First programme in England and in Wales;
- working to improve the quality of ITT provision and making adjustments to the allocation of ITT places for popular subjects and to the top performing ITT providers; and,
- an increased focus on attracting more of the 400,000 qualified teachers not currently working in schools back into the profession.

2.18 In relation to bursaries, the Secretary of State told us that there was a correlation between the value of the bursary offered for a subject and the number of entrants to ITT, but said that she had asked her officials to carry out a review to make sure that these incentives were the best approach to attracting new entrants to the profession.

Welsh Government views

2.19 The Welsh Government's submission stated that the recruitment climate in Wales had remained unchanged over the last two years. In oral representations, it told us that there were currently no problems with the general state of teacher recruitment and retention in Wales. The Welsh Government emphasised its ambition to attract high quality candidates to the profession by offering incentives of up to £20,000 for eligible students starting initial teacher education (ITE) courses in the 2016/17 academic year. Welsh Government officials told us that financial incentives had attracted more people with higher level degrees into teacher training, but noted that the current offer was being reviewed.

Consultees' comments on recruitment

2.20 Most of our consultees expressed strong concerns about the supply of teachers, with several asserting that recruitment and retention had reached a crisis point. Some also told us that it was a priority to raise the profile of the teaching profession and address negative perceptions to make sure that people continue to choose teaching as a career.

2.21 The submissions received from teacher unions raised concerns about the Department's failure to meet its ITT recruitment targets for secondary schools for the fifth year in a row. The teacher unions also highlighted the multiplicity of ITT routes, which they saw as being fragmented and confusing for both ITT providers and potential new entrants. Individual consultees raised a number of other areas of concern about the quantity and quality of teachers provided by the Department's current approach to ITT. NASUWT noted a 6% decline in the number of graduates applying to postgraduate teacher training through the UCAS Teacher Training (UTT) application scheme in 2015 compared to the same point in 2014. NAHT had conducted a survey of its members³ and reported that concerns about the quality of newly qualified teacher (NQT) applicants reported by respondents had increased by four percentage points since last year. Voice referred to DfE analysis showing that in 2015/16, 14 out of 17 secondary subjects had unfilled training places compared with only two subjects in 2010/11.

2.22 ASCL noted that 97% of respondents to their survey of school leaders⁴ said that they were experiencing difficulties recruiting teachers and 80% said it was 'worse' or 'significantly worse' than twelve months ago. The NUT had also surveyed its leadership group members⁵ and reported that 61% of respondents felt that recruitment difficulties had got worse over the past year.

³ NAHT's survey was completed by 1,094 school leaders in September 2016.

⁴ Completed by 433 school and college leaders.

⁵ Completed by 861 respondents in March 2016.

- 2.23 Several of our consultees' submissions addressed factors associated with recruitment challenges. School leaders responding to NAHT's survey reported that they were experiencing continued problems with recruitment and identified an overall shortage of teachers and the suitability of staff applying for vacancies as the main causes. The survey also found an increase in the number of respondents citing high housing and living costs as the reason for teacher recruitment and retention difficulties, with 60% of respondents in London attributing their recruitment difficulties to these factors. NEOST had consulted with its members who reported increasing recruitment difficulties at all levels and particularly in London and the South East and in specific subject areas: maths; English; science; business studies; and modern foreign languages. The NGA reported that its annual survey, conducted jointly with TES⁶, had found the three regions in which governors reported the most difficulties in attracting good candidates to teaching posts were London, the South East and the East of England.
- 2.24 A number of consultees commented on the use of bursaries and financial incentives to attract recruits to ITT. Most were critical of these schemes or argued that there was little evidence of their effectiveness – for example, the NUT argued in its oral representations that teaching ability is not linked to degree class and that bursaries may deter some very able teaching candidates with a lower degree classification from joining the profession. UCAC's representations were critical of the Welsh Government's financial incentives, arguing that it was inherently unfair that these could amount to more than a year's take-home pay and that there was no evidence that these had any impact on teacher retention. Some consultees had mixed views on the effectiveness of bursaries. NEOST reported that some local authorities found them helpful, particularly as an incentive to get people to change profession to become a teacher, but that others considered that these incentives did not necessarily attract candidates who would be good teachers or who would remain in the profession in the longer term. NAHT told us that bursaries were useful in some circumstances but that the range of subjects covered was too narrow and the reduction in their use for primary teacher recruitment had been damaging.
- 2.25 Several consultees suggested that there should be a mechanism to 'claw back' bursaries from recipients who did not go on to pursue a career in teaching. Others proposed alternatives to bursaries that they considered would be more effective; ASCL, ATL, NAHT, NEOST and the NUT all argued in their oral representations that paying off student loans may be a better incentive. NEOST also suggested that financial incentives for teachers who remain in the profession – so-called 'golden handcuffs' – could be considered. UCAC stated that teachers should be given a guaranteed post after qualification to increase the likelihood that they remain in the profession.

Teacher retention

The Department's views

- 2.26 The Department reported that there were approximately 456,900 full-time equivalent (FTE) teachers in November 2015. It stated that the number of FTE teachers had increased by 3.84% since November 2011; the majority of this increase was in the primary sector and driven by rising pupil numbers. The Department stated that vacancy rates had remained low and relatively stable in the last five years, with a small increase from 0.1% to 0.2% between November 2012 and November 2015. It reported:
- the number of full-time classroom teacher vacancies and temporarily-filled posts decreased from 1,730 in 2014 to 1,430 in 2015;
 - continuing above-average vacancy rates for mathematics, information technology, all sciences and English; and,

⁶ Completed by 5,000 school governors and trustees.

- a small decrease in the proportion of hours taught by non-specialist teachers in EBacc subjects.
- 2.27 In her oral representations, the Secretary of State argued that teacher retention rates had remained stable in the longer term and noted that research conducted by the National Foundation for Educational Research⁷ showed that most teachers were not considering leaving the profession. She told us that the most commonly cited factors that cause teachers to leave were workload and pupil behaviour. Officials from the Department informed us that they were working to develop a more sophisticated understanding of why teachers leave and how to attract those who have left back into the profession.
- 2.28 Officials from the Department acknowledged that there were limitations in its national vacancy measure. They told us that they were working to improve the evidence on vacancies by exploring gathering data on online vacancies by ‘web scraping’.

Welsh Government views

- 2.29 The Welsh Government presented useful data which showed that, for the 2015 calendar year, 795 primary school teacher vacancies were advertised for primary schools with an average of 16 applications received (with English-medium posts attracting an average of 21 applications per post and Welsh-medium posts attracting an average of 7 applications). It reported that the secondary sector recorded 830 advertised vacancies with an average of 9 applications per post (10 for English-medium and 4 for Welsh-medium). In oral evidence, the Welsh Government told us that teacher retention in Wales was higher than in England; around 20% of teachers were leaving in their first five years and this level of wastage had remained stable in recent years. It noted that whether a school is in an urban or rural location and is Welsh- or English-medium are the main contributing factors relating to recruitment and retention at school level.
- 2.30 The Welsh Government noted that the number of head teachers in Wales had been declining since 2011, due mainly to school closures and more head teachers managing multiple schools. Welsh Government officials told us in oral evidence that they were encouraged by trends of younger head teachers in Wales and that they had no concerns about leadership quality, noting that all heads in Wales must have a National Professional Qualification for Headship (NPQH).

Consultees’ comments on retention

- 2.31 The teacher unions noted the data on teacher vacancies presented by the Department and were critical of the methodology used to calculate the vacancy rate; for example, NASUWT argued that this approach was “highly flawed” and did not capture the real level of unfilled posts in the system.
- 2.32 Submissions from the teacher unions commented on teacher retention and noted a higher wastage rate than in previous years. Many consultees also highlighted the Government’s written statement in Parliament in October 2016 that 30% of teachers who had qualified in 2010 had quit the profession by 2015⁸. NASUWT noted that this showed that the number of teachers leaving the profession for other reasons than retirement or death-in-service between 2011 and 2015 rose from 27,910 to 39,000 over the period; it argued that this implied that a significant proportion of teachers are being driven to seek an early exit from the profession. The NUT noted with concern that

⁷ National Foundation for Educational Research (2016) *Engaging Teachers: NFER Analysis of Teacher Retention* – <https://www.nfer.ac.uk/publications/LFSB01/LFSB01.pdf>

⁸ Parliamentary written answer on Teachers – *Labour Turnover*: www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2016-10-07/47083

more than 100,000 qualified teachers had never taught after finishing their training. ATL argued that high levels of teacher wastage was leading to a “hollowed out” profession, within which young teachers miss out on support from more experienced colleagues.

- 2.33 Representations from the classroom teacher unions highlighted deteriorating morale in the teaching workforce. In oral representations, several teacher unions also pointed to a negative image of the profession, particularly in relation to workload and pay. One of NAHT’s representatives illustrated this point by stating that teaching had “previously been a rewarding profession with some challenges, but was now a challenging profession with some rewards.” NASUWT reported that its annual Big Question Survey⁹ of teacher opinion had found an increase in dissatisfaction among existing teachers in 2016 from the previous year:
- 71% of teachers felt that their job satisfaction had declined over the past 12 months (up from 57%);
 - 93% of teachers indicated that they did not feel they were empowered professionally to deliver the best outcomes for their pupils (up from 78%); and,
 - 71% had considered quitting the profession altogether in the last 12 months (up from 68%).
- 2.34 All the teacher unions raised substantial concerns about workload – which some considered to be closely linked to accountability. Workload was identified by consultees as the most significant cause of retention difficulties and low teacher morale. NASUWT highlighted the implications of excessive teacher workload stating that thousands of teachers responding to its annual Big Question survey have consistently reported workload as their top concern about their working lives. The NUT said that excessive workload is creating a disincentive for those considering teacher training. ATL reported that its Workload Tracker had revealed that full-time teachers work an average of 54 hours a week throughout the year. UCAC said that it is essential to resolve workload issues in order to retain people within the profession and improve morale. Voice said that the combination of long working hours, unmanageable workload, poor access to training, and low salaries is preventing the profession from retaining staff and impacting the quality of education in schools.
- 2.35 Some consultees emphasised that pay was also a major factor in relation to teacher retention. NASUWT told us in its oral representations that issues around pay have intensified, leading to many younger teachers having to consider whether they could “afford” to remain in the profession. Voice argued that teachers were less likely to receive pay progression or allowances and that this led to stagnating pay which was affecting retention. NAHT also asserted that a decline in pay and conditions was, alongside workload and accountability, an important factor in deteriorating retention rates.
- 2.36 Consultees’ submissions also addressed the impact of teacher recruitment and retention pressures on schools. Several argued that this led to schools narrowing their curricula and to an increase in the proportion of lessons taught by non-specialist teachers without a degree-level qualification in the subject. For example, ATL cited DfE analysis showing that 15% of EBacc lessons were taught by teachers who were not subject specialists. NAHT reported that their survey had shown that the most common response to recruitment difficulties was the use of supply staff, which placed additional financial pressures on schools, and that over 50% of respondents said that subjects had been taught by non-specialist teachers as a response to recruitment difficulties. ASCL told us that their survey had found that 73% of school leaders had to use supply teachers to fill vacancies, 71% had to use non-specialists (those without a degree in the relevant subject) to teach classes, and 27% no longer offered courses in some subjects as a result of a shortage

⁹ 12,000 teachers from England responded to the survey.

of appropriate staff. ASCL also asserted that a survey of their members indicated that teacher shortages were negatively affecting pupil performance, with 51% of respondents reporting that shortages had affected performance in GCSEs and 23% saying that it had affected performance in A- and AS-Levels.

- 2.37 Several consultees noted the possible implications of falling retention rates for school leadership, including a reduction of the pool of experienced teachers suitable for leadership roles. Some said teachers were being pushed into leadership roles too early and risked suffering 'burn out' as a consequence. UCAC said it was aware of issues recruiting to head teacher posts in Wales and noted the lack of women in head teacher roles. NEOST said that local authorities had reported that schools were experiencing difficulties due to the quantity and quality of candidates for leadership posts – and especially for head teachers. The NAHT survey saw an increase in respondents who had struggled to recruit to school leadership roles, with schools that had vacancies struggling to recruit head teachers in 69% of cases, deputy heads in 59% of cases and assistant heads in 58% of cases. The NGA's annual survey for 2016 found that 35% of respondents experienced difficulties in attracting good candidates when recruiting a head teacher and 42% experienced difficulties recruiting to senior staff posts. The NUT stated in its oral representation that middle leader roles are becoming difficult to recruit to as the workload is unmanageable if normal teaching hours are expected alongside leadership responsibilities.

Teacher earnings

The Department's views

- 2.38 The Department stated that teaching continues to be an attractive profession with competitive salaries. Its submission included an analysis of real-terms earning values¹⁰ of classroom teachers and private sector graduates^{11,12}; it acknowledged that this showed that average earnings of private sector graduates rose more steeply than average earnings of teachers between 2014/15 and 2015/16. However, the Department stated that its analysis indicated that teachers had fared better than private sector graduates in the longer term – median teacher salaries had fallen by 10% in real terms between 2002/03 and 2015/16, while the median salaries of private sector graduates had decreased by 11% over the same period.
- 2.39 The Department's submission emphasised that pay was only part of the reward package and its analyses did not take account of additional elements offered in different professions such as pensions and healthcare benefits. It said graduates would also base their career decisions on other factors such as future career and promotion prospects, job security and work/life balance. It also presented details of recent changes to pension schemes across the public sector and argued that these, in general, remained among the best available.

Welsh Government views

- 2.40 The Welsh Government stated in its oral representations that starting salaries for teachers compare well to those received by other graduates professions in Wales, noting that graduate starting pay is, on average, lower in Wales than in England.

¹⁰ At 2015/16 levels, using the Consumer Prices Index (CPI) as the measure of inflation, consistent with ONS published analysis of changes in real wages.

¹¹ The 2015/16 average salaries for graduates are estimates based on the latest three quarters of available data (Q4 2015 and Q1&Q2 2016). Q3 2016 of the Labour Force Survey is not yet available.

¹² Before 2013/14 the classroom teacher figures include Advanced Skills Teachers (ASTs) and Excellent Teachers (ETs); from 2013/14 onwards they include leading practitioners.

Consultees' views on teacher earnings

- 2.41 Submissions from the teacher unions cited research¹³ on graduate starting pay and recruitment showing that graduate median earnings had remained stable or experienced small increases. A number also cited a recent report from High Fliers¹⁴ that forecast that there would be an increase in graduate recruitment in 2017. In this context, these consultees argued that teachers' pay was not competitive in comparison to other graduate professions and that the gap was increasing. For example, Voice commented that the median value of graduate starting pay of £30,000 reported by High Fliers is a level that teachers in England and Wales will only realistically attain after four to five years. The NUT noted that teachers' main pay range minimum for September 2016 (£22,467 outside London) was lower than the median starting salary for other graduate professions ten years ago. NASUWT reported that 79% of respondents to its Big Question Survey 2016 in England and 77% of respondents in Wales thought that teachers pay is not competitive; it stated in its oral representations that higher expected inflation will exacerbate this.
- 2.42 A number of consultees addressed pay progression in their representations. The NUT considered that uncertainty regarding pay progression was a bigger concern than starting salaries for its members. ATL stated in its oral evidence that teaching is no longer the preferred choice of career for many young graduates as both starting salaries and the expected pay progression are not competitive with other graduate professions.
- 2.43 The teacher unions also commented on the significant cumulative reduction in real-terms gross pay for teachers between 2010 and 2016. A variety of specific comparisons were highlighted:
- ATL said that teacher starting salaries were 6.3% lower in September 2016 than they would have been if they had kept pace with earnings growth across the economy since September 2010, and 11.5% lower than if they had kept pace with Retail Prices Index (RPI) inflation.
 - NASUWT stated that the erosion of teachers' pay in the period 2010 to 2016 has meant the value of teachers' pay has declined by over 16%, leading to starting salaries for teachers being currently more than 25% lower than the average starting salary for other graduates.
 - The NUT noted that the cumulative effect of pay restraint means that teachers have suffered a real-terms pay cut between 2005 and 2016 of some 15% on the basis of RPI inflation and of over 10% on the basis of Consumer Prices Index (CPI) inflation.
- 2.44 NASUWT's submission commented on an increasing number of teachers opting out of the Teachers' Pension Scheme (TPS). It presented analysis showing a higher level of opt-outs from the TPS between April and July 2016 than at any time since 2010. NASUWT said that the highest number of those opting out have less than five years' service as a teacher and tend to be 25 to 34 years old. It argued that this showed that financial hardship was forcing these young teachers to leave the TPS.

¹³ Association of Graduate Recruiters (AGR), Education Policy Institute (EPI), High Fliers, Higher Education Careers Services Unit (HECSU), Incomes Data Research (IDR).

¹⁴ High Fliers (2017) *The Graduate Market in 2017* – https://www.highfliers.co.uk/download/2017/graduate_market/GMReport17.pdf

Pay reforms

The Department's views

- 2.45 The Department argued that recent reforms have empowered schools by giving them increased flexibility on pay which, it says, has helped schools to attract and retain the best teachers and to target recruitment and retention problems in order to make the best use of their resources. In her oral representations, the Secretary of State said the Department was sharing best practice to support schools to make more effective use of their autonomy on pay matters; this included providing training for school leaders on setting pay policies, and embedding the idea that managing such policies was an integral part of school leadership. She acknowledged, however, that the system is still in its infancy and it would take time for schools to start utilising their autonomy.
- 2.46 When asked about the possibility that relating pay progression for all teachers to an annual appraisal of performance might be resulting in discrimination, the Secretary of State told us that she would be very concerned if this was occurring. She stated that the evidence on pay progression gathered by the Department to date contained nothing to suggest that this was taking place.

Welsh Government views

- 2.47 The Welsh Government stated in its evidence to us that it disagreed with the policy of increasing school autonomy and favoured a single system of pay and conditions for teachers across Wales. It noted that, in practice, most schools in Wales used 'model policies' set by their local school consortia which included indicative scale points. In oral representations, the Welsh Government told us feedback it had received from schools on the pay policies set by local school consortia was generally positive.

Consultees' views on pay reforms

- 2.48 NEOST's representations noted that, of the 38 local authorities which responded to its consultation, nearly 75% said that schools in their area were using pay flexibilities to respond to school-level recruitment and retention issues. In oral representations, NEOST clarified that this only indicated that at least one school within each local authority area was using pay flexibilities and its general experience was that the use of these flexibilities was not extensive. NEOST also noted that they had found that flexibilities were being used most frequently by schools in London.
- 2.49 A number of consultees stated that schools were not using pay flexibilities because they could not afford to do so with their current funding levels. For example, ASCL reported that schools' financial constraints meant they were unable to implement pay flexibilities under the STPCD and that a fully funded pay award would encourage schools to use these flexibilities more. In their oral representations, several teacher unions also told us that they had seen examples of schools denying teachers' pay progression for budgetary reasons, rather than due to performance appraisal outcomes.
- 2.50 Several teacher unions commented on the impact of pay progression related to an annual appraisal of performance. Voice argued that the increased uncertainty in relation to progression was contributing to a crisis in teacher recruitment. ATL said that relating pay progression to performance appraisal intensified the pressures on teachers and school leaders by imposing more bureaucratic workload upon them. NASUWT argued that the results of its 2016 pay survey showed that a pay system has developed in schools which they believe is "profoundly demoralising and dispiriting, does not raise standards or reward teachers and does not serve to recruit and retain teachers." It also argued that schools often failed to use appropriate evidence and performance measures to inform pay

progression decisions. NEOST commented that its members had said that schools would prefer to avoid making differential performance-based awards to avoid any negative impact on morale as they believe that this would outweigh any positive impact on individuals.

- 2.51 A number of teacher unions had surveyed their members about pay progression and included survey findings in their representations. The 2016 joint annual survey of NUT and ATL¹⁵ members found that, among those respondents who were eligible and had been notified of a decision, 21% had not received pay progression. Among respondents on the main pay range (MPR), 10% were refused progression; among those on the upper pay range (UPR), 50% of respondents were denied progression, as were over a quarter of MPR teachers applying for progression from MPR and UPR. They also reported that 86% of those who had been turned down for pay progression considered this to be unfair, but 71% of these teachers did not intend to appeal the decision. NASUWT also provided findings of their pay surveys¹⁶ which indicated that, at the time it was conducted in November and December 2016, 60% of respondents had not received confirmation of whether they would receive any pay award for 2016/17.
- 2.52 Representations from ATL and the NUT asserted that there was evidence that the system of pay progression related to an annual appraisal of performance was being applied in a discriminatory manner. The NUT and ATL argued that their joint annual survey showed that teachers who were from a black, Asian and minority ethnic (BAME) background and those who worked part-time were more likely to be turned down for progression. The NUT also warned that pay flexibilities risk a more subjective and discriminatory culture towards staff and stated that it was therefore essential that the Department start to collect data to monitor potential inequalities. In oral representations, NEOST accepted that the new system entailed a greater possibility of discrimination but, while they and local authorities were not complacent, they had not seen any evidence of discriminatory practice occurring. The NGA told us in oral evidence that they provided training material to governors that covered their equalities duties when pay reforms were introduced. They noted that their members do have a governance role in scrutinising pay policies to make sure that they are not being applied in a discriminatory manner, but told us that most aspects of appraisal and progression are management level decisions made by school leaders.
- 2.53 The NGA and the NUT were critical about flexibilities used in the context of leadership pay, commenting that they were disappointed that the Department have not provided benchmark figures for leadership pay to determine the relative weighting of responsibility for pay levels. The NGA argued that flexibility to pay head teachers 25% above the maximum of the pay scale seemed, in some cases, to have been “used as a target rather than a response to challenging circumstances.” In contrast, NEOST argued in its oral representation for more flexibility for leadership group teachers. It noted that it was unhelpful that schools did not have flexibility to pay deputy and assistant head teachers above the maximum of the pay scale and argued that this could cause difficulties recruiting and retaining school leaders.

Schools’ financial resources

The Department’s views

- 2.54 The Department said the Government had prioritised investment in education to drive long-term economic growth and support its commitment to social justice. Its representations stated that the overall schools budget in England continued to be

¹⁵ Completed by around 13,000 respondents in November 2016.

¹⁶ Completed by around 8,000 respondents in England and around 300 respondents in Wales.

protected; the Secretary of State emphasised this point in her oral evidence. The Department reported that in 2016-17 the Dedicated Schools Grant allocated a total of £40.7 billion with the pupil premium adding an additional £2.4 billion. It stated that the Government had acknowledged that the way that the current system distributed funding between schools was unfair, so it was consulting on a new national funding formula. The Department reported that, as an interim measure, an additional £390 million had been allocated to the “least fairly funded” local authorities in 2015-16. It also noted that schools were protected by a minimum funding guarantee to ensure there could be no decrease of more than 1.5% per pupil compared to the previous year.

- 2.55 The Department said the teacher pay bill for publicly funded schools for the 2016/17 academic year was estimated to be approximately £24.8 billion. It calculated that a flat 1% pay uplift to all teacher salaries would cost £250 million and that this would contribute to an overall increase of approximately £505 million that would see the total pay bill rise to £25.3 billion in 2017/18 (with the additional £255 million due to a combination of increases in workforce size and pay drift). The Department was clear in its submission that the cost of implementing any pay uplift would need to be met from existing school budgets.

Welsh Government views

- 2.56 The Welsh Government’s evidence noted that local authorities are responsible for school funding in Wales. The funding allocated by local authorities for education in Wales for 2016-17 was reported to be £2.577 billion. Of this, £2.275 billion was for schools and £301 million for local education authorities. The Welsh Government stated that this translated into gross school expenditure of £5,370 per pupil in 2016-17, which was expected to be subject to a year-on-year increase of 0.8%. It also told us that it had provided additional funding for schools services and had committed to increasing this spending over the course of the 2011 to 2016 Assembly term. The Welsh Government noted that there was no specific additional funding to meet the cost of a pay uplift in September 2017. In oral representations, the Welsh Government warned that schools are likely to struggle with a pay award in 2017/18 of more than 1%.

Consultees’ views on financial resources

- 2.57 A number of teacher unions told us that the Government’s assertion that funding is being maintained is not supported by the evidence. For example, the NUT argued that the statement in the Chief Secretary to the Treasury’s letter that the Government will be funding a 1% pay award is contradicted by the Department’s statement that schools will need to meet the costs from their current budgets.
- 2.58 Representations we received highlighted the number of pressures on school budgets in recent years; these included increased employer pension and national insurance contributions. A number of consultees also noted that schools are expected to face further pressures as a result of the introduction of the Apprenticeship Levy from April 2017 and further expected increases in employer pension contributions from 2019-20. The National Audit Office report from December 2016 on the financial sustainability of schools¹⁷ was cited in a number of consultees’ supplementary submissions – in particular, the report’s statement that mainstream schools in England will have to make an estimated £3 billion of savings to counteract cumulative cost pressures by 2019-20 (calculated to be equivalent to an 8% reduction in budgets).

¹⁷ National Audit Office (2016) *Financial sustainability of schools* – <https://www.nao.org.uk/wp-content/uploads/2016/12/Financial-sustainability-of-schools.pdf>

- 2.59 ATL stated that the delay in the Department publishing its proposals for the national funding formula has created uncertainty among schools, causing reluctance to invest or recruit. It suggested that the proposed formula will simply move money around the education system rather than provide any significant increases. ATL's evidence references the calculations on its "School Cuts" website¹⁸, which indicate that, following the proposed funding redistribution and accounting for a projected rise in pupil numbers, 98% of schools would face a reduction in per-pupil funding by 2019-20.
- 2.60 NEOST noted that local authorities had reported a growing trend of schools relying on financial surpluses to avoid setting a deficit budget and an increasing number of schools predicting a deficit within two years. In addition to in-year spending, some consultees considered schools' financial reserves. ASCL cited data published by the Department as showing that, for maintained secondary schools with financial reserves, the average level of surplus fell between 2013-14 and 2014-15; over the same period, the average level of deficit for schools with negative financial balances rose.
- 2.61 NASUWT's analysis of schools' financial resources differed from that of the other teacher unions. It stated that schools' financial reserves had tended to increase in recent years and noted that, in 2015-16, the total revenue balance across all local authority maintained schools in England was £2.1 billion, amounting to an average revenue balance in each school of £124,000 (7.5% of their total revenue income). During oral representations, NASUWT representatives also noted that only around 200 local authority maintained secondary schools had negative financial balances. They argued that this relatively small number of schools should receive individual support and that the financial difficulties of this minority of schools should not dictate how teachers were treated in relation to the 2017/18 pay award. However, most consultees argued that schools using financial reserves to fund a higher pay uplift was likely to result in unmanageable financial pressures; these funds could only be used once while schools would continue to be faced with a higher pay bill.

2017/18 pay award

The Department's views

- 2.62 The Department emphasised the Government's policy that the cost of public sector pay awards should be restricted to an average of 1% of pay bill. It also noted that we should take into account the affordability of our recommendations for individual schools. The Department suggested that we should consider whether a more targeted approach – for example, differentiating increases to the maximum and minimum of pay ranges – may be more effective, but also warned that a differential approach could result in disproportionate cost increases for some schools, which could risk their financial security. In her oral evidence, the Secretary of State said that an uplift to pay and allowance ranges would affect different schools in different ways, but that it was important that it should be affordable for all. When asked about the impact on schools with negative financial reserves, she stated that they would be expected to make efficiency savings in order to fund a pay uplift.

Welsh Government views

- 2.63 The Welsh Government stressed that any recommendation for a pay award above 1% would add financial pressure to its budgets, therefore advised us not to deviate from this in the 2017/18 pay award and argued that any pay uplift should be applied equally among the whole teaching workforce.

¹⁸<http://www.schoolcuts.org.uk/>

Consultees' views on a pay award for 2017/18

- 2.64 All teacher unions told us that an increase greater than 1% was necessary in 2017/18 to negate the effect of an erosion of real-term pay for teachers and to respond to a crisis in teacher supply. There was also a consensus that any increase should be applied uniformly to all salaries and allowances in payment and that this 'cost of living' increase in pay for all teachers should be distinct from performance related pay progression or school-level flexibility over pay. The NGA, noting that pay for teachers was falling behind other graduate professions, also urged for an increase of more than 1%. NEOST told us that they would like to see a 1% increase to all salaries and allowances in payment but, in the context of the current system that allowed schools flexibility to implement any pay uplift, they considered that the most logical recommendation would be a 1% increase to the minimum and maximum of the national pay ranges.
- 2.65 A number of consultees also warned us against making differential adjustments to national pay and allowance ranges. ASCL, NASUWT, NEOST, the NGA and the NUT expressed concern that any such recommendation could risk confusion and friction within the teaching profession and argued that recruitment and retention would be better served by applying an award equally to all teachers.
- 2.66 Most of the teaching unions emphasised that it was important that the Government provided extra funding to schools to meet the cost of any increase in pay in September 2017. NEOST reported that there was an overwhelming consensus among the local authorities that responded to its consultation that any pay award for teachers should be fully funded by central Government. The NGA also argued that any pay award – even an uplift of 1% – should be fully funded. A number of consultees told us in oral representation that, if an uplift of more than 1% was implemented without additional funding from the Government, schools may choose not to implement it due to budgetary constraints, with a substantial impact on teacher morale. Alternatively, schools may meet the cost of implementing such an uplift by restructuring, reducing their curricula and making redundancies; this would have the effect of further increasing workload and pressure on teachers.
- 2.67 NASUWT considered that the level of a 2017/18 pay award should not be influenced by whether there would be additional funding from the Government. It noted that the total revenue balance for maintained schools in England was £2.1 billion in 2015-16 and that schools in Wales had unspent reserves of £64 million and calculated that this was equivalent to £4,595 per teacher in England and £1,729 in Wales. It argued that these funds could – and should – be used to fund an above inflation pay increase for all teachers and that the extent of reserves meant that this could be afforded in successive years. NASUWT told us that we should treat with "scepticism" some of the claims about system-wide and school-level affordability, as these were not supported by the evidence. It asserted that the issue preventing schools from giving teachers larger pay awards was not their budgetary position but the fact that they did not prioritise spending on teacher salaries.
- 2.68 In addition to providing views on our current remit, some of our consultees urged us to consider teachers' pay from a longer term perspective. The NUT asked us to restore pay in real terms at least to the levels which prevailed in 2010 and to conduct a further review, taking into account pay elsewhere in the economy, to determine fair and appropriate pay levels for the longer term. ATL told us that teachers were looking to the STRB for a clear roadmap out of Government imposed pay restraint in order to halt and reverse the crisis in teacher supply.

CHAPTER 3

The teacher labour market

3.1 This chapter considers the key economic, earnings and recruitment and retention indicators that collectively inform us about the state of the teacher labour market. We also note key findings from a range of recent research relating to the teacher labour market.

Economic context

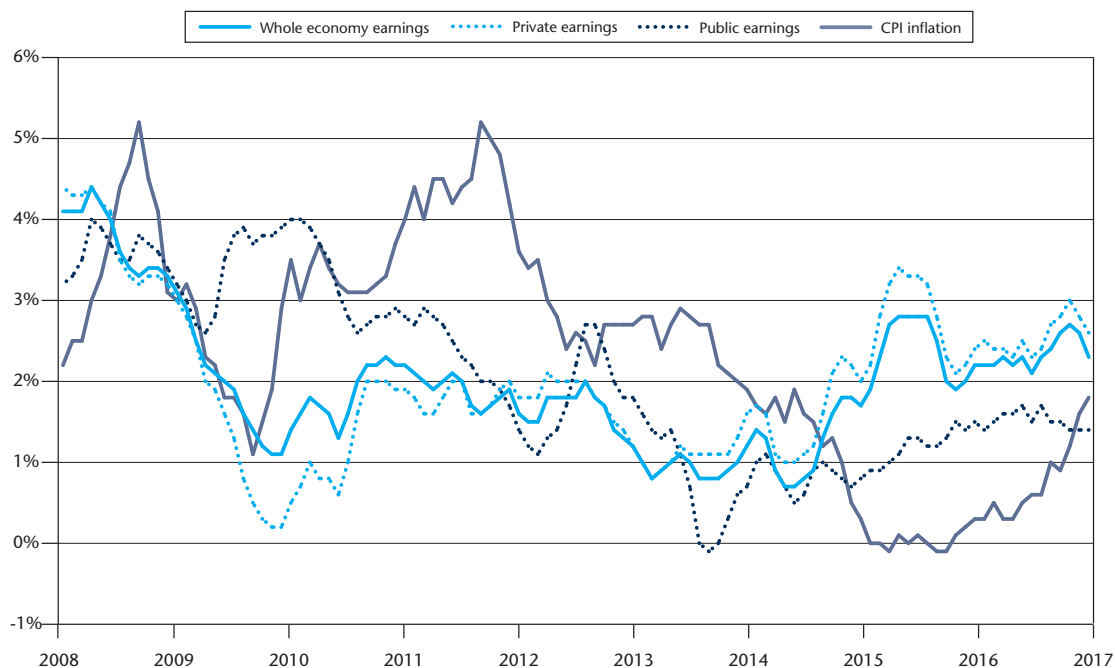
Employment, earnings and inflation

3.2 Overall employment grew by 92,000 in the 3 months to January 2017 to reach 31.85 million people in work, with an increase in full-time employment partly offset by a fall in part-time employment. The employment rate was 74.6% in January 2017; the joint highest since comparable records began in 1971. The unemployment rate fell to 4.7% in the three months to January 2017, and has not been lower since June to August 1975.

3.3 The summer of 2014 saw overall earnings growth in the UK exceed price inflation for the first time since 2008, following a long period of relative decline in earnings growth. Looking at the most recent data, for the three months to January 2017, average weekly earnings (excluding bonus payments) were 2.3% higher than the same period a year earlier. During this period, private earnings growth was 2.6% while public sector earnings growth remained unchanged for a third consecutive month at 1.4%. In January 2016, annual Consumer Price Index (CPI) inflation was 1.8% and this increased to 2.3% in February 2017.

Chart 1

Economy-wide average weekly earnings growth (excluding bonuses) and CPI inflation (annual % changes), 2008-2017¹



¹ OME analysis of Office for National Statistics (ONS) Labour Market and Consumer Prices statistics.

Outlook

- 3.4 Following the outcome of the June 2016 EU referendum, the performance of the economy over the next few years faces a higher degree of uncertainty than in previous years. In its March 2017 forecasts, the Office for Budget Responsibility (OBR) said it expected real GDP growth to moderate during the first half of 2017 but revised upwards its forecast for GDP growth in 2017 as a whole to 2.0%. The OBR slightly revised down its forecasts for 2018 and 2019 to 1.6% and 1.7% respectively.
- 3.5 The OBR's March CPI inflation forecast for 2017 of 2.4% was slightly higher than its November forecast (2.3%); its forecasts for 2018 and 2019 are 2.3% and 2.0%. In the short-term, the OBR said it expects CPI inflation to peak at 2.7% in the final quarter of 2017, before gradually declining.
- 3.6 In its March forecast, the OBR also moderated its forecast for average earnings. It now expects earnings growth of 2.6% in 2017, 2.7% in 2018 and 3.0% in 2019.
- 3.7 The OBR revised downwards its unemployment forecasts for coming years but expects the unemployment rate to edge up in 2017, eventually reaching 5.2% in 2019. It also revised upwards its forecasts for employment growth largely in line with expected population growth.

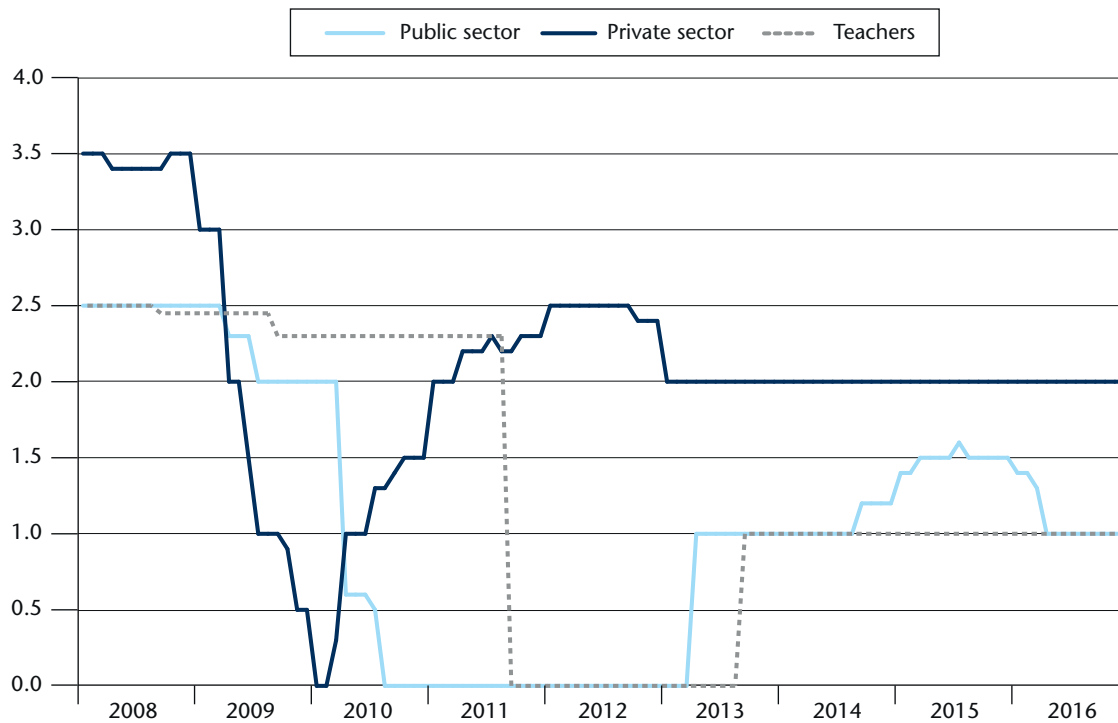
Teachers' pay

Pay settlements

- 3.8 Chart 2 below sets out median headline pay settlements from January 2008 to December 2016. This period included the three-year pay award for teachers which ran from September 2008 to August 2011. Teachers' pay settlements were fairly stable at 2.3% to 2.5% until 2011, when the pay freeze for teachers began.
- 3.9 In the public sector more widely, median headline pay settlements fell to zero in the 12 months to August 2010, a year before the freeze was applied to teachers, and recovered to 1.0% in April 2013 as those who went into the pay freeze earlier came out of it. The value of median settlements in the private sector fell sharply in 2009, briefly reaching zero in January 2010. This has since recovered steadily with median private sector settlements having stabilised at 2.0% over the past three years. Data for the 12 months to December 2016 show private sector settlements averaging 2.0% and public sector settlements at 1.0%².

² OME analysis of XperHR settlements data. While public sector settlements between 2014 and 2016 appear to diverge from the public sector pay policy of 1%, this is explained by the method of recording of the settlement data which recorded higher than average settlements paid to the lowest grades in some parts of the public sector.

Chart 2
Median pay settlements (%), January 2008 to December 2016 (12 months ending)³

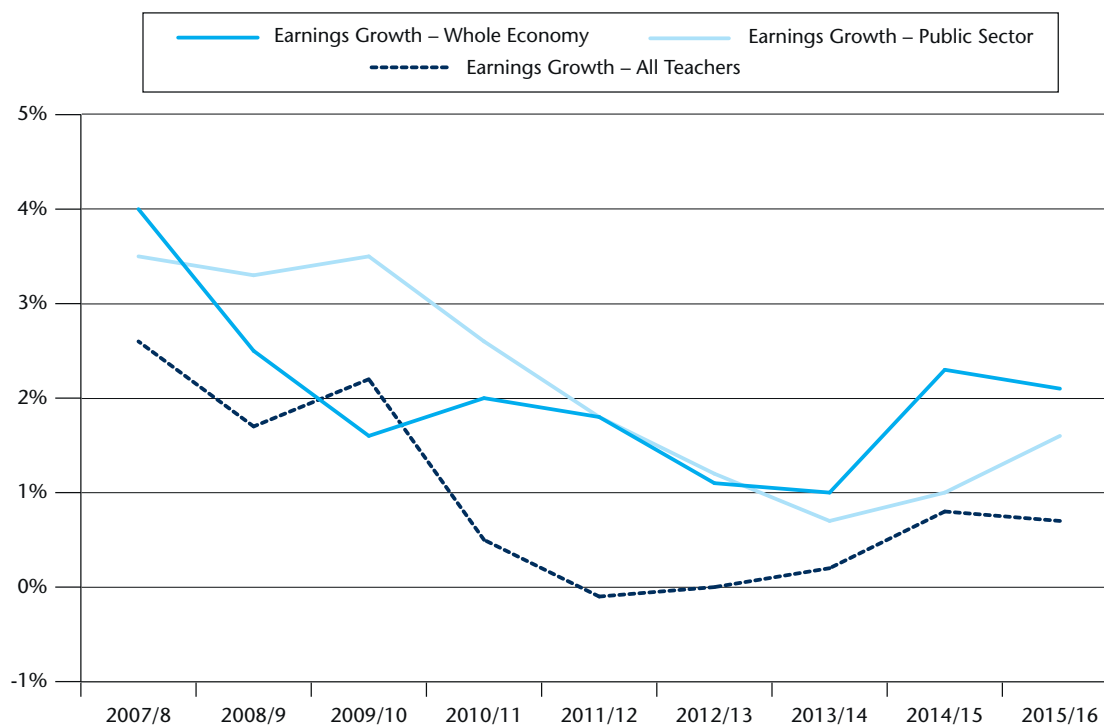


Teachers' earnings growth

3.10 Over most of the last decade, teachers' median earnings have grown at a slower rate than earnings across both the economy as a whole and the public sector overall. Chart 3 below shows annual changes in median teacher earnings compared to changes in earnings across the economy. Earnings growth across the profession was close to zero between 2010/11 and 2013/14, partially reflecting the impact of the pay freeze, and closer to 1% in 2014/15 and 2015/16. Teachers' earnings have grown at a slower rate than earnings in the wider economy over the last six years.

³ OME analysis of XpertHR pay settlements data.

Chart 3
Growth in teachers' median earnings compared to economy-wide earnings
growth, 2007/08 – 2015/16⁴



3.11 Earnings growth reflects several factors, including the adjustment of pay ranges following a pay award, individuals' pay progression, and changes in the age/experience composition of the workforce. In common with others across the public sector, teachers in England and Wales have experienced several years of pay restraint since 2010 in line with the Government's public sector pay policy. While some teachers have continued to receive pay progression, a large proportion of classroom teachers (an estimated 37% in 2015/16⁵) are at the top of their respective ranges, so will have seen little change in their annual salary during this period unless they have taken on new responsibilities.

Teachers compared to the wider graduate labour market⁶

3.12 As in previous reports, we have examined a range of information on the graduate labour market, including vacancies and salaries, and have compared both the starting pay and profession-wide earnings of teachers with those of other graduate professions. We compare teachers' earnings with those of other *professional occupations*⁷ as described by the Standard Occupational Classification (SOC).

⁴ OME analysis of ONS Consumer Prices and Labour Market statistics, and DfE School Workforce Census data. Earnings data have been annualised to academic years. Teachers' earnings growth is based on annual changes to median earnings. Economy-wide earnings are based on changes to the Average Weekly Earnings index.

⁵ OME analysis of DfE 2015 School Workforce Census.

⁶ Much of the analysis is based on survey estimates which carry some margin of error. Where sample sizes are small, including regional estimates, this error will be increased.

⁷ Standard Occupational Classification (SOC) 2010 states that most occupations in this major group will require a degree or equivalent qualification, with some occupations requiring postgraduate qualifications and/or a formal period of experience-related training. The 'other professional occupations' used in this analysis comparator group excludes teachers.

- 3.13 Our analyses focus on comparisons of *gross earnings*, which include all regular pay components, but exclude bonuses and wider elements of the overall reward package for any profession. These elements include wider non-pay benefits and pension provision; the value of the latter in particular can vary considerably across occupations.

Graduate employment opportunities

- 3.14 The latest annual survey by the Association of Graduate Recruiters (AGR), conducted in summer 2016⁸, suggests that the graduate labour market faced significant uncertainty in 2016 and consequently saw the number of vacancies shrink by approximately 8%. AGR commented that recruiters face several challenges, including the uncertainty following the EU referendum, competition for specific skills, and the forthcoming Apprenticeship Levy.
- 3.15 The latest High Fliers⁹ report on the graduate market found that the number of graduates hired by UK top 100 graduate employers increased by 1.6% in 2016 from 2015. This was substantially less than had been expected with employers reporting that, for the second year running, a significant number of graduate vacancies were left unfilled, either because graduates turned down employers' job offers or because they reneged on offers that they had previously accepted.
- 3.16 Looking forward, the report states that these employers plan to increase their graduate recruitment in 2017 by a further 4.3%. Only eight of the UK's leading 100 employers had chosen to reduce graduate recruitment targets for 2017 in response to post-referendum uncertainty, and even fewer of these companies said they would favour school-leaver recruitment in connection to the Apprenticeship Levy. According to High Fliers, the biggest growth in graduate vacancies in 2017 is expected to be in public sector organisations and online retailers.

Teachers' starting salaries compared to other graduates

- 3.17 We have used the minimum of the teachers' main pay range when comparing teachers to other graduates' median starting salaries, although schools have the flexibility to pay higher starting salaries if they wish.
- 3.18 Data relating to the earnings of new graduates vary in their timeliness and respondent base. The AGR and High Fliers sources provide data up to 2016 and are weighted towards large 'graduate scheme' recruiters, which tend to recruit significant proportions in London and the South East. The Higher Education Statistics Authority (HESA) data are taken from its Destination of Leavers from Higher Education (DLHE) survey. This is an official survey sent to all students approximately six months after their graduation, which consequently covers a broader range of graduate employment destinations, although we focus below on first and higher degree holders entering *professional occupations*. The latest HESA data relate to 2015 graduates and it should be noted that starting salary estimates are rounded to the nearest £1,000; this means that modest movements in salary levels between years can be over or under-estimated.

⁸ Association of Graduate Recruiters (2016) *The AGR graduate review survey Summer Review 2016*. The AGR is a membership organisation and its surveys are based on returns from approximately 200 of its members (there is some overlap with High Fliers). Information for their most recent annual survey was collected in July/August of 2016.

⁹ High Fliers (2017) *The graduate market in 2017* – https://www.highfliers.co.uk/download/2017/graduate_market/GMReport17.pdf. This report is based on a study of graduate recruitment at the organisations named as The Times Top 100 Graduate Employers, who tend to run 'graduate schemes'. The study took place in December 2016 to look at how many graduates the employers recruited in 2016 and assess recruitment targets for 2017.

3.19 With these caveats in mind, Table 1 below summarises the headline graduate median starting salaries reported by the sources mentioned above and shows that these continue to exceed teachers' minimum starting pay; AGR suggest an increase in 2016 (from £27,000 to £27,500 nationally), High Fliers report median starting salaries remaining stable at £30,000 with an expectation that this will remain unchanged in 2017.

Table 1
Graduate starting salaries (median), 2012-2016¹⁰

| | 2012 graduates | 2013 graduates | 2014 graduates | 2015 graduates | 2016 graduates |
|-------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| HESA – Higher Education Statistics Agency | £25,000 (£27,000 London) | £25,000 (£26,000 London) | £25,000 (£27,000 London) | £25,000 (£27,000 London) | – |
| AGR – Association of Graduate Recruiters | £26,000 | £26,500 | £27,000 | £27,000 (£28,000 London) | £27,500 (£29,500 London) |
| High Fliers | £29,000 | £29,000 | £29,500 | £30,000 | £30,000 |
| Teachers | £21,588 (£27,000 Inner London) | £21,804 (£27,270 Inner London) | £22,023 (£27,543 Inner London) | £22,244 (£27,819 Inner London) | £22,467 (£28,098 Inner London) |

3.20 Both AGR and High Fliers confirmed that investment banking and law firms planned to offer the highest median starting salaries (at £43,000 and £38,000 respectively according to AGR; and at £47,000 and £43,000 respectively according to High Fliers). Median starting salaries for other sectors ranged from £25,000 (retail management) to £30,000 (IT).

3.21 The AGR annual survey found that London continued to attract higher starting salary levels (a median salary of £29,500) followed by the South East (£26,000), with most other English regions predicted to have a median salary of £25,500. The median starting salary in Wales was £25,750.

3.22 AGR also found that employers are strengthening their offer to graduates with a broader rewards package, for example 24% offer a financial bonus to graduates after joining and 16% offer a relocation bonus to support graduates who are moving to a new part of the country. Other rewards included interest free loans to help with relocation, performance-based bonuses, a training budget, allowances, staff discounts, season ticket loans, a £1,000 welcome bonus, private healthcare, paid accommodation for rotational placements, flexible working, and a £250 one-off payment for clothing.

3.23 We have updated our analysis of HESA data on the destinations of recent graduates¹¹. Our initial analyses focus on those graduates entering other *professional occupations*; it should be noted that this group contains a range of professions and the relative composition of graduates among these can vary from year to year¹².

¹⁰ OME analysis of AGR, High Fliers and HESA data.

¹¹ Copyright Higher Education Statistics Agency Limited. HESA cannot accept responsibility for any inferences or conclusions derived from the data by third parties.

¹² The latest data, for 2015 graduates, provides a sample of some 51,000 graduates entering other *professional occupations*.

3.24 Chart 4 shows, by region, the percentage differential between teachers' minimum starting salary¹³ and the estimated median starting salary of recent years' graduates with a first or higher degree entering other *professional occupations*. Key findings are:

- Outside Inner London (and the North West in 2015), teachers' starting pay continued to be lower than the estimated median starting pay of other graduates;
- Estimates based on the rounded HESA data suggest a possible stagnation in wider graduate starting salaries in the years to 2015. Combined with successive 1% increases in teachers' minimum starting salaries, this implies the estimated gap may have reduced in recent years; and,
- Differentials remained greatest in the South East and East of England.

Chart 4
% difference between classroom teachers' minimum starting salaries and median starting salaries of graduates entering other *professional occupations*, 2012-2015 graduates¹⁴



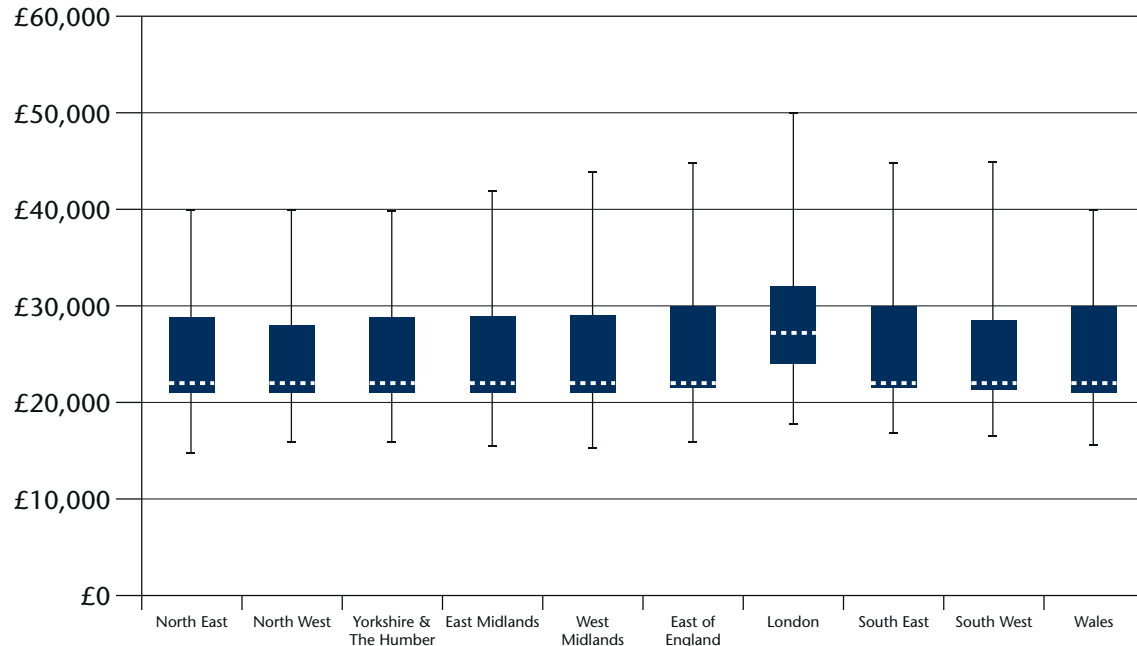
3.25 Our detailed analysis also revealed the considerable variation in starting salaries for graduates entering other *professional occupations* (Chart 5 below). This variation is supported by the data from High Fliers and AGR showing that graduates entering certain professions can earn much higher starting salaries.

¹³ While the minimum of the main pay range has been used as the benchmark for teachers, schools do have the freedom to pay more. There is some evidence in the HESA data that suggests a minority of new teachers in some regions are being paid above the minimum, but this is insufficient to distinguish the median from the pay scale minimum.

¹⁴ OME analysis of HESA Destination of Leavers from Higher Education (DLHE) data.

Chart 5
**Starting pay of 2015 graduates entering other *professional occupations*,
 Inter-quartile range, 5th and 95th Percentiles¹⁵**

[Dotted line indicates minimum teacher starting salary]



Comparisons with starting salaries in specific occupations

3.26 To complement the headline comparison with the other *professional occupations* group and to provide some additional detail, the HESA data allow us to examine starting salaries in a wider range of individual professions. It should be noted that these vary in their entry criteria and that some require more than one year of post-graduate study.

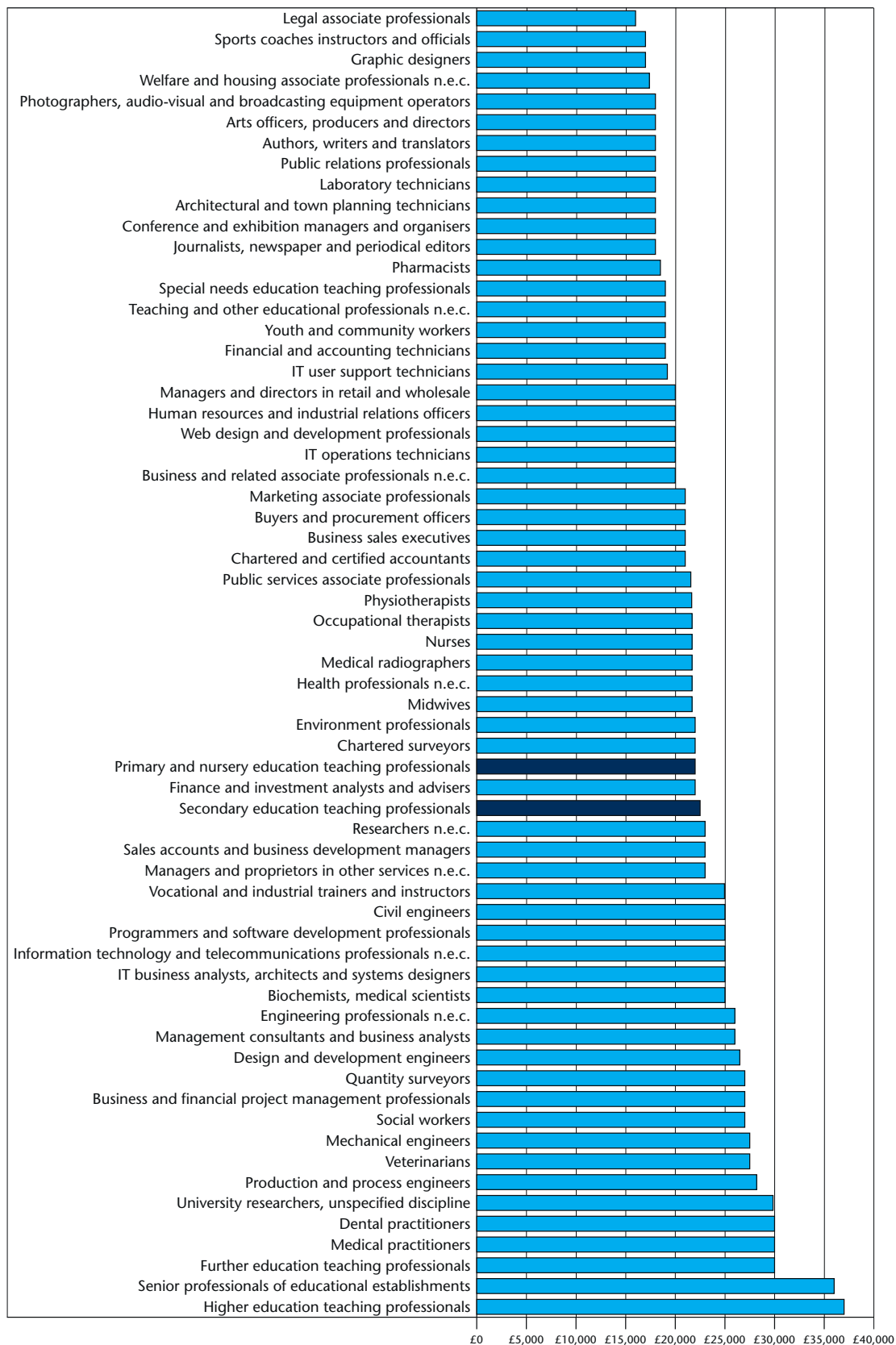
3.27 Charts 6a and 6b present the median starting salary data for a range of specific occupations within the wider Standard Occupational Classification (SOC)¹⁶. The findings this year are broadly similar to last year:

- In England and Wales (excluding London) occupations within the *professional occupations* group tend to be the highest paying (largely clustered towards the bottom of the chart);
- In London, finance/investment, IT and senior educational occupations tend to dominate the higher paying professions;
- A number of largely public sector occupations are among the higher paying occupations, including medical practitioners and social workers; and,
- The relative position of teachers' starting pay has remained broadly similar over the last 4 years.

¹⁵ OME analysis of HESA Destination of Leavers from Higher Education (DLHE) data.

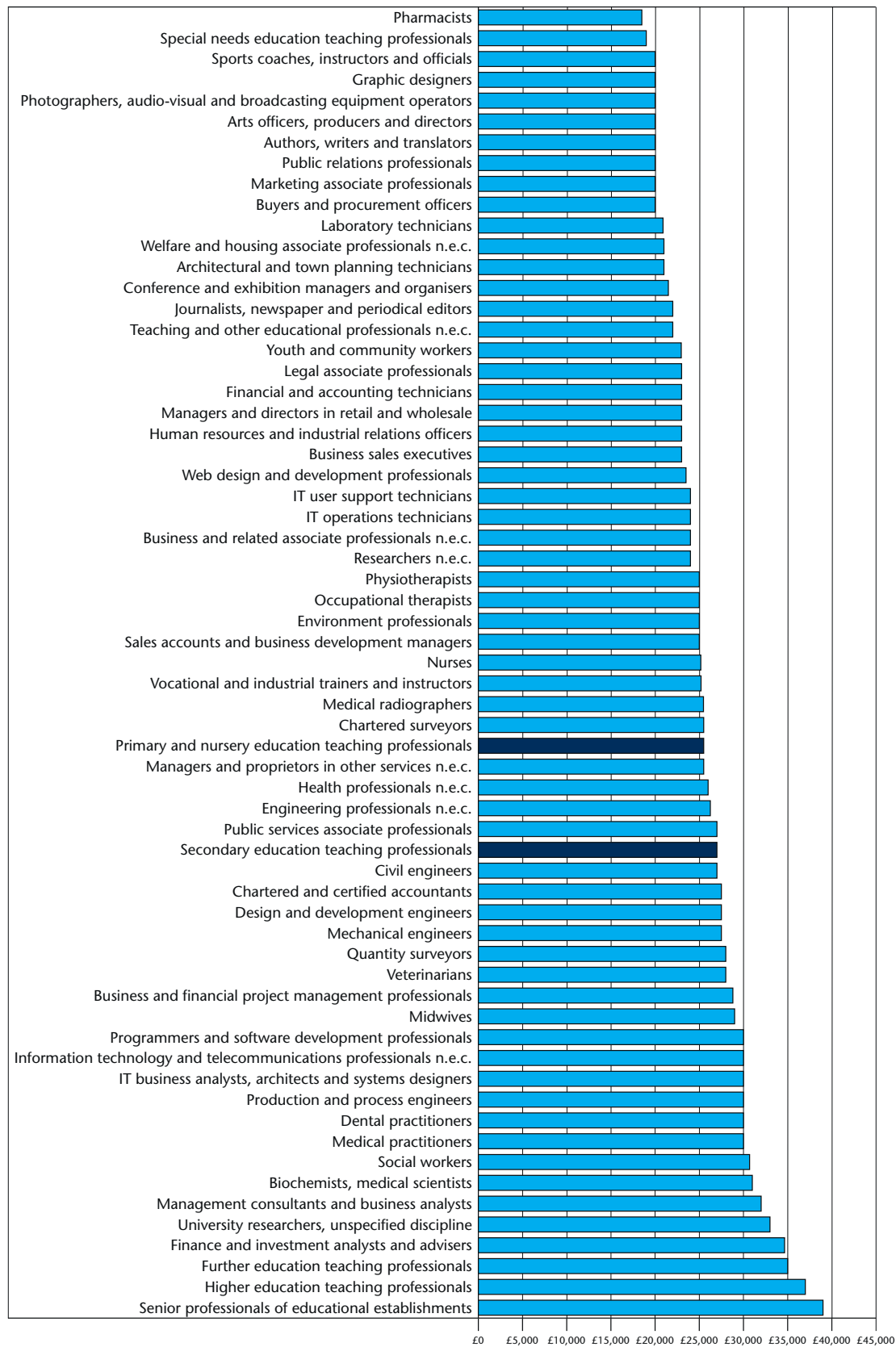
¹⁶ Graduates enter the whole range of occupational categories (as described by the SOC) although the majority of those in full-time employment were recorded as working in occupational groups located towards the top end of the SOC hierarchy (i.e. those described as *Managers, Directors and Senior Officials, Professional Occupations* and *Associate Professional and Technical*). The following charts present the median starting salary data for detailed occupations within these groupings.

Chart 6a
Median starting pay of 2015 first/higher degree graduates, by occupation in England and Wales (excluding London)¹⁷



¹⁷ OME analysis of HESA Destination of Leavers from Higher Education (DLHE) data.

Chart 6b
Median starting pay of 2015 first/higher degree graduates, by occupation in London¹⁸



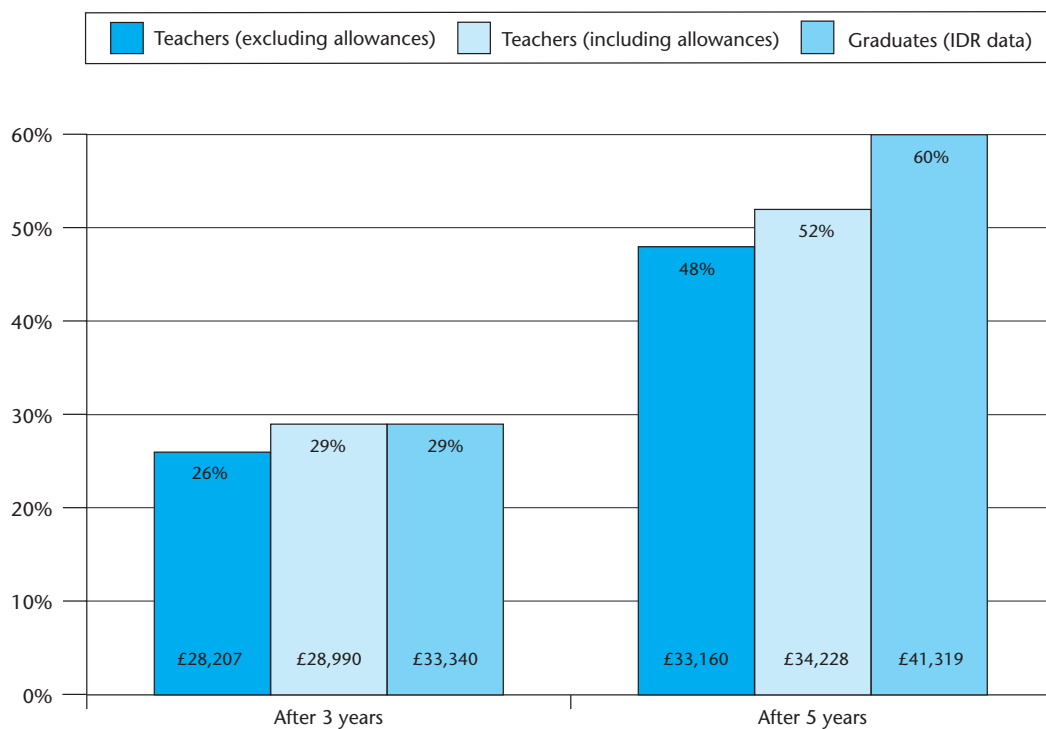
¹⁸ OME analysis of HESA Destination of Leavers from Higher Education (DLHE) data.

Graduate pay progression

3.28 The preceding analysis has focused on the levels of starting salaries. An additional consideration when assessing the attractiveness of the profession relates to expectations of salary progression. We have therefore compared estimates of the *rates of pay progression* that teachers and other graduates receive, on average, in their early years of employment (see Chart 7 below). It should be noted that this analysis focuses on the percentage increases in respective salaries after three and five years' service, rather than comparing salary *levels*. However, to provide some measure of relative salary levels, the charts indicate Income Data Research's (IDR) estimates of average graduate salary after three and five years, compared to those typically received by a teacher. As estimates of graduate salaries vary considerably between different sources, these should be regarded as illustrative. The key findings of our analysis are:

- Teachers in England and Wales¹⁹ who receive annual progression increases typically see their salaries increase by 26% after three years and by 48% after five years (from the minimum to the maximum of the main pay range), and by slightly more on average when allowances are taken into account.
- The salary for teachers reaching the top of the upper pay range (typically attained after 10 years) is some 70% higher than the minimum starting salary.
- IDR²⁰ estimates suggest that the average salary (excluding bonuses) of graduates across the UK with three year tenure was 29% higher than the corresponding average starting rate for the same roles²¹; graduates with five year tenure had an average salary some 60% higher than the starting rate. The average figures are likely to mask considerable variation in rates of progression across professions and employers.

Chart 7
Graduate and teacher pay progression (% change over starting pay after 3 and 5 years) and illustrative salary levels²²



¹⁹ Based on teachers in the 'Rest of England and Wales' pay band.

²⁰ Income Data Research (2016) *Pay and progression for graduates 2017*. IDR's graduate analysis is UK-wide, including some graduates in London.

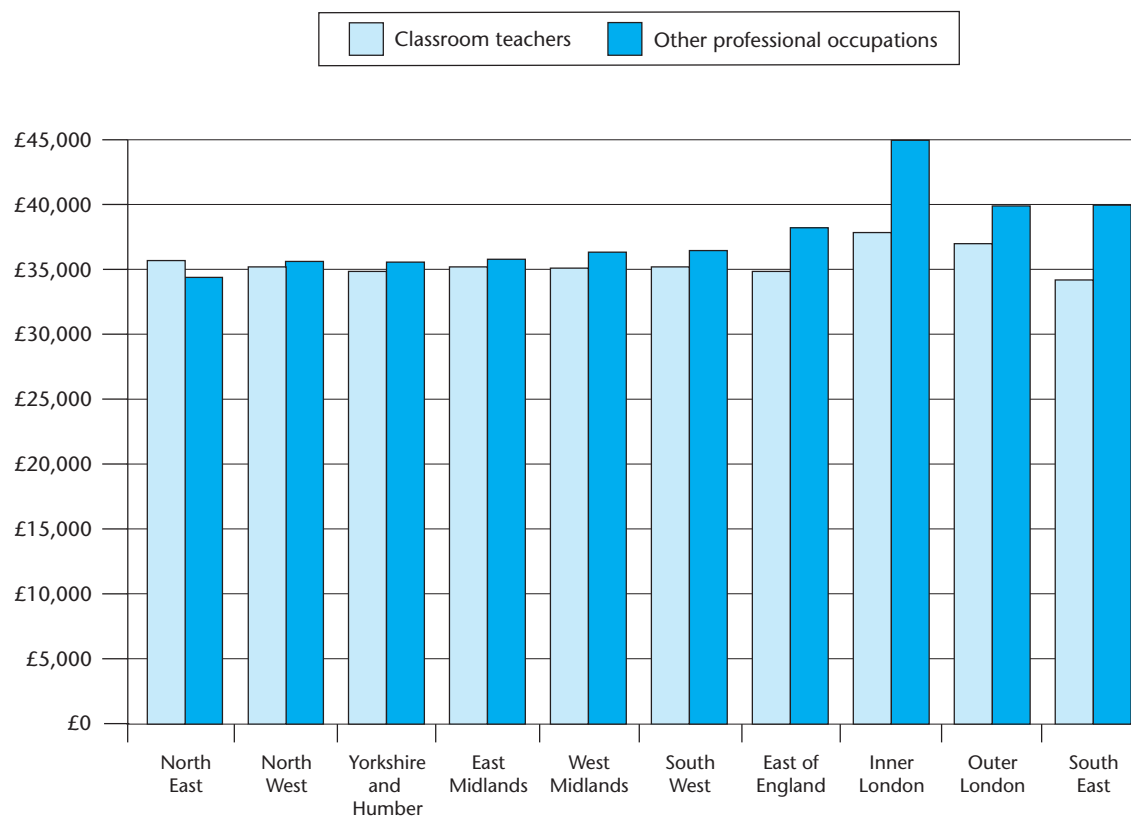
²¹ This figure is broadly consistent with other pay progression analyses from AGR and HESA as cited in AGR's 2016 *Development Survey*.

²² OME analysis of IDR (2016) *Pay and progression for graduates 2017* and DfE school workforce data.

Profession-wide teacher earnings compared to other graduate occupations

3.29 We examined profession-wide teacher earnings and compared them to those of graduates in *other professional occupations* on a regional basis. The teachers' earnings data are drawn from the November 2015 School Workforce Census which covers England only²³. Chart 8 shows that, in 2015/16, classroom teachers' median earnings trailed the estimated median earnings of other professionals in nine out of ten regions. The differential was largest in the South, in particular London, the South East, and the East of England.

Chart 8
Classroom teachers' median earnings compared to other professionals, 2015/16²⁴



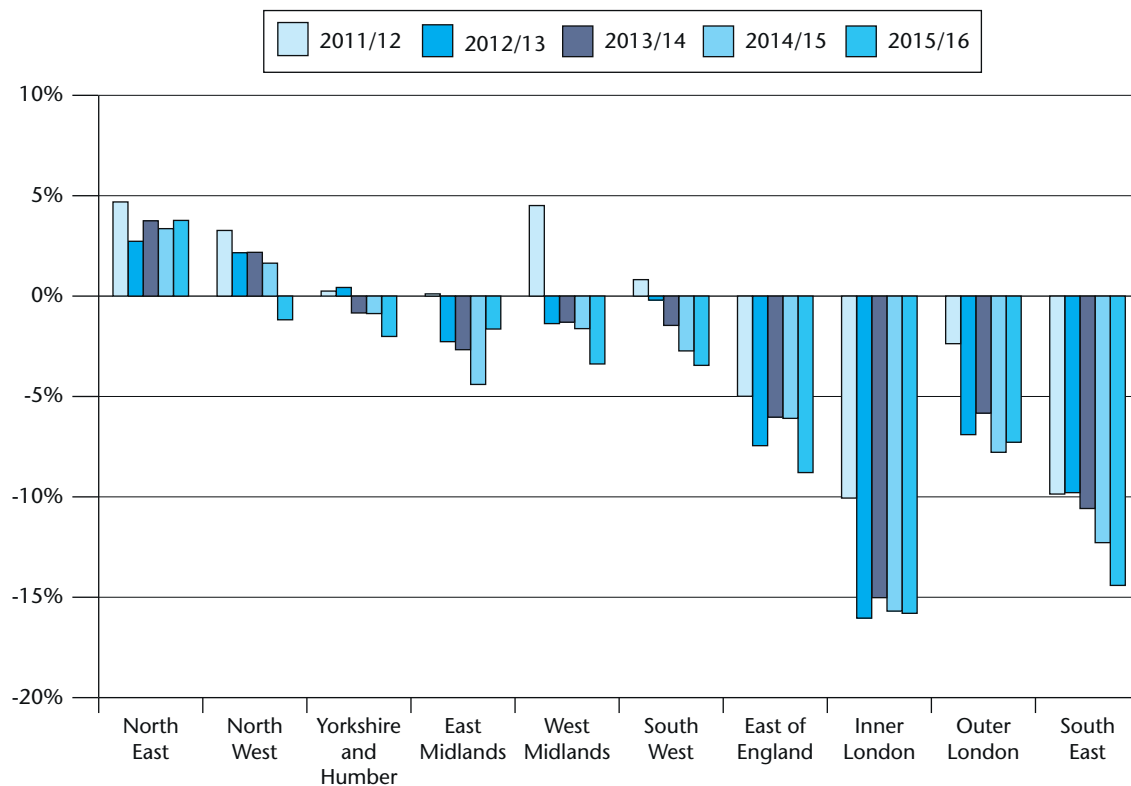
3.30 The relative position of classroom teachers' earnings deteriorated between 2011/12 and 2015/16. Chart 9 shows the overall trend in relative earnings, which has been consistently large in London and the South and suggests a worsening position in recent years across a range of regions (although some caution is needed because of sample sizes in the regional comparator data).

²³ Our secretariat explored using the ONS's Annual Survey of Hours and Earnings (ASHE) data to estimate teachers' earnings in Wales but found the sample sizes to be too small to provide reliable estimates.

²⁴ OME analysis of DfE School Workforce Census (SWC) and ONS ASHE data.

Chart 9

Classroom teachers' median earnings compared to other professionals (% difference), 2011/12 to 2015/16²⁵



3.31 As we observed in previous years, our analysis also shows that the comparator groups continue to have wider earnings ranges than teachers. These demonstrate the potential in some other professions to reach much higher levels of earnings than those offered in the teaching profession.

Graduate labour market and earnings summary

3.32 We have explored a range of data and reports on the graduate labour market and wider earnings. It is too early to ascertain the impact of the UK's forthcoming exit from the European Union so the outlook for the graduate labour market in the medium term is unclear. For the shorter term, reports suggest the continuation of a strong demand, with increased opportunities for graduates.

3.33 Data from major graduate recruiters suggest a continuing significant gap in 2016 between teachers' minimum starting salaries and median starting pay in other professions. The more detailed HESA data also shows that teachers' starting pay in 2015 remained lower than that of other *professional occupations* in all regions except Inner London and the North West.

3.34 Our analysis of earnings across the profession suggests that teachers' earnings have undergone a further deterioration in almost all regions since we last reported and continue to trail those of other *professional occupations* in all regions except the North East.

²⁵ OME analysis of DfE School Workforce Census (SWC) and ONS ASHE data.

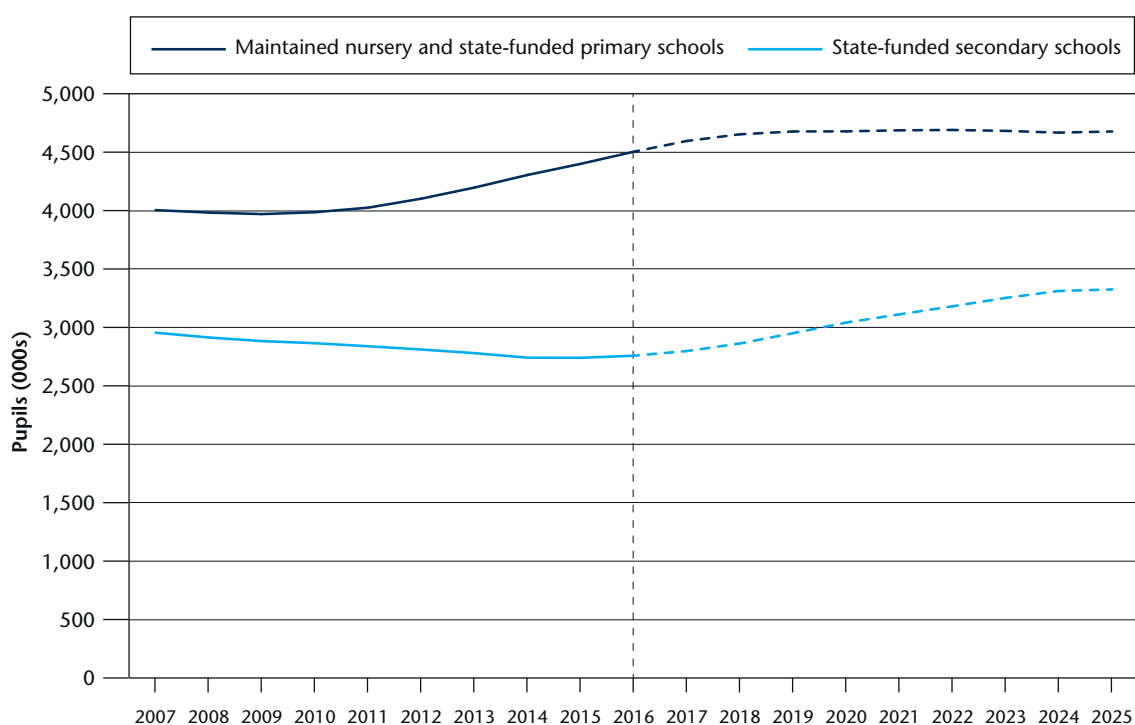
Recruitment and retention

Future demand for teachers²⁶

3.35 The latest pupil projections data show that pupil numbers in state-funded schools are forecast to increase significantly over the next 10 years:

- The overall population in state-funded primary schools was 4,479,000 in 2016 and is projected to be 172,000 higher in 2025 at 4,651,000 (a 3.8% increase).
- As the recent increase in primary numbers feeds through into secondary schools, the overall population aged 11-15 is projected to reach a peak of 3,325,000 in 2025, 567,000 higher than it was in 2016 (a 20.6% increase).

Chart 10
Number of pupils (aged up to age 15) in England²⁷



3.36 In Wales, secondary school pupil numbers are expected to increase by 10% from 2016 to 2025 as the large increase in primary numbers seen in preceding years feeds through. Meanwhile the number of primary pupils will continue to increase until 2019, after which numbers are expected to decline.

Number of teachers and support staff²⁸

3.37 The school workforce has expanded in recent years due to increases in numbers of teachers and, particularly, support staff (including teaching assistants, special needs support and minority ethnic needs support staff).

²⁶ OME analysis of DfE and Welsh Government pupil projections data.

²⁷ OME analysis of DfE Pupil Projections data.

²⁸ OME analysis of DfE School Workforce statistics and Welsh Government Schools Census data.

- 3.38 The number of full-time equivalent teachers in England increased by 3.4% between 2010/11 and 2015/16 (to 456,900); in Wales, the number of teachers decreased by 2.5% over the same period (to 24,236). Within this period, both countries saw slight falls between 2014/15 and 2015/16.
- 3.39 The number of teaching support staff in England has continued to grow at a much higher rate with an increase of 23% to 263,000 since 2010/11. The corresponding increase in Wales was 13% (to 24,000) although this includes a 1.8% fall since 2014/15. Over the longer-term, the numbers of teaching support staff in England and in Wales have increased by some 300% since 2000.
- 3.40 The rapid increase in support staff followed a number of policy and curriculum changes, including the inclusion of more children with special needs in mainstream schools. There has also been an expansion of roles to support coaching and mentoring in key subject areas.

Pupil to teacher ratios²⁹

- 3.41 Pupil to teacher ratios (PTRs) and pupil to adult ratios (PARs – which include teaching support staff, but exclude administrative and clerical staff) are affected by changes in numbers of pupils, teachers and support staff:
- In England, PTRs in maintained schools have remained broadly stable over the last 5 years (at around 21 in primary and between 15.5 and 15.8 in secondary schools). The corresponding rates in academies are consistently slightly higher.
 - The PAR for primary maintained schools has decreased since 2011/12 from 11.7 to 11 in 2015/16. For secondary maintained schools, the PAR remained relatively stable over this period and was 10.6 in 2015/16. PARs in academies are again slightly higher than in their primary and secondary maintained school counterparts.
- 3.42 In Wales, primary and secondary PTRs remained broadly flat from 2004/5, increasing in primary schools from 2013/14 (PTRs in 2015/16 were 21.6 in primary and 16.3 in secondary). PARs have decreased since 2005 (from 12.8 to 10.2 in primary schools and from 13.2 to 11.4 in secondary schools in 2015/16).

Initial Teacher Training in England

- 3.43 In a typical year, just over half of entrants to the profession are newly qualified teachers (55% in 2015); the remainder are returners to the profession (31% in 2015) or qualified teachers new to the state school sector (14% in 2015)³⁰. The Department uses its Teacher Supply Model (TSM)³¹ to assess the future national need for teachers and to inform the allocation of funding and places for Initial Teacher Training (ITT) at a national level. The model accounts for a number of factors including the drop-out rate of trainee teachers, subsequent wastage among qualified teachers, pupil projections, policy changes that impact on the take-up of particular subjects and re-entrants to the profession. However, we note comments questioning its ability to predict accurately schools' needs for trainee teachers³², including that:
- the model's forecasts lie within a broad range;

²⁹ OME analysis of DfE School Workforce statistics and Welsh Government Schools Census data.

³⁰ OME analysis of School Workforce Statistics.

³¹ Department for Education (2015) *2016/17 Teacher Supply Model User Guide* – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/490677/201617_Teacher_Supply_Model_User_Guide_for_publication_Final.pdf

³² National Audit Office (2016) *Training new teachers* – <https://www.nao.org.uk/wp-content/uploads/2016/02/Training-new-teachers.pdf>

- the model assumes the number of teachers schools will require will increase at a slower rate than the rise in pupil numbers;
 - the model lacks detailed data on existing teacher shortages, including those caused by previously missed recruitment targets; and,
 - the model does not attempt to match the future supply of teachers to the estimated demand for qualified teachers in particular regions or localities.
- 3.44 The routes into teaching can be divided broadly into university-led training (with provision for undergraduates and post-graduates) and school-centred training, which has grown in significance in recent years through School Direct (salaried or unsalaried), school-centred initial teacher training (SCITT) and Teach First, which provides a two-year scheme that includes a Leadership Development Programme and management skills training for well-qualified graduates to work in schools serving low-income communities across the UK.
- 3.45 There was an increase in the proportion of new entrants to school-led routes in 2016 – from 51% in 2015 to 56% (40% School Direct, 11% SCITT and 5% Teach First). The proportion of ITT entrants training through higher education institutions consequently fell from 49% to 44%³³.

Bursaries

- 3.46 Incentives are available to teacher trainees in both England and Wales. Financial support is most heavily focused on priority subjects and the recruitment of high calibre candidates with the precise amounts available reflecting these variables. Examples in England include bursaries ranging from £3,000 to £30,000 (the latter for trainees with a first class degree or PhD in physics) and competitive scholarships of up to £30,000 to support recruitment to physics, maths, languages, geography, chemistry and computing. In Wales, incentive grants range from £3,000 to £20,000 (the latter for trainees with a first class degree who are entering training to teach maths, physics, chemistry or Welsh).
- 3.47 The National Audit Office (NAO) reported in 2016 that the Department spent £620 million on bursaries in the 5 years to 2014/15, and planned to spend £167 million each year in 2015/16 and 2016/17. This equates to some 0.7% of the annual teacher pay bill in England. The NAO found at the time of its report³⁴ that the Department had not assessed the impact of bursaries on applicants' success or the number who go on to qualify and teach, although we note that the Department has since committed to carry out an evaluation of bursaries and related incentives.

Recruitment against targets

- 3.48 We have compared the number of recruits to ITT against the overall post-graduate target numbers specified by the Teacher Supply Model. The data show that the number of recruits has fallen short of the overall target in each of the last five years, although the absolute target numbers have varied from year to year (see Table 2 below). In the primary sector, the recruitment target was met in 2016. However, recruitment to the secondary sector was 11% below target. This was an improvement on 2015, but the secondary target has not been met since 2012 (see Chart 11 below).
- 3.49 Looking forward, the success with which ITT targets will be met in part depends on the stock of graduates. In this context, we examined Office for National Statistics (ONS) population forecasts for England and found that the projected number of 18 to

³³ OME analysis of DfE Initial Teacher Training Census.

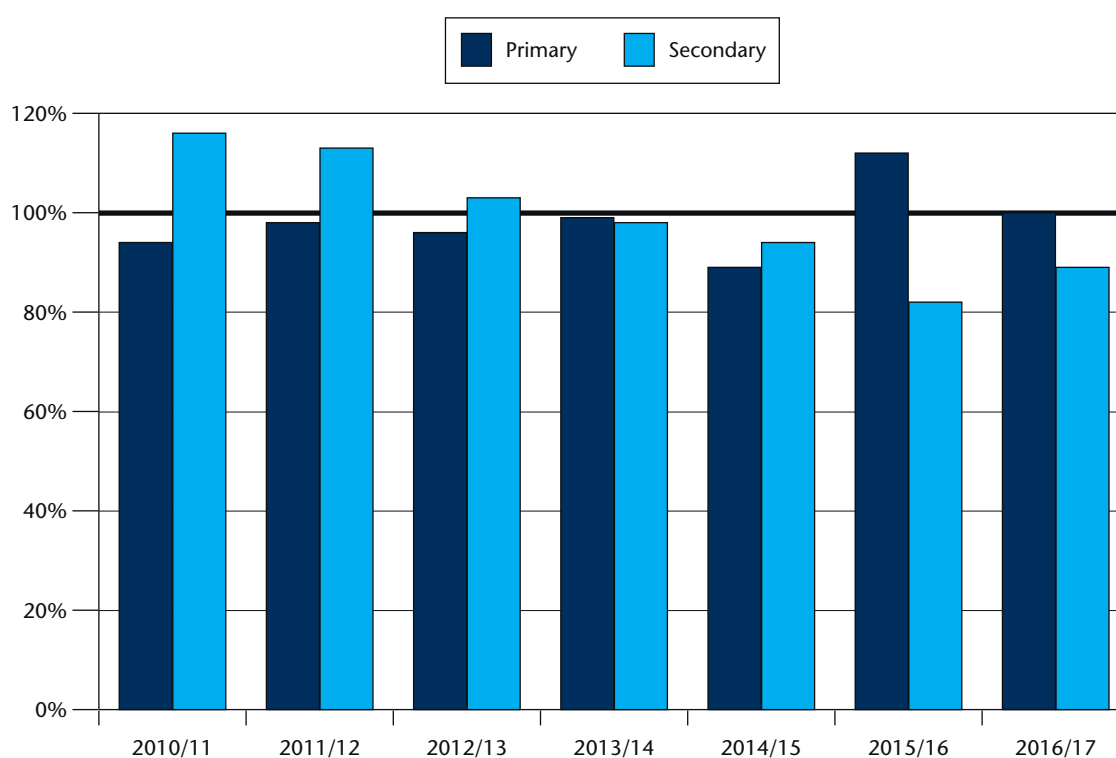
³⁴ National Audit Office (2016) *Training new teachers*.

21 year-olds is set to fall by some 8% between 2015 and 2021 before recovering to 2015 levels by 2026³⁵. This suggests a need for an increased rate of participation in higher education if the size of the pool of potential recruits to ITT is to be maintained.

Table 2
Recruitment to postgraduate ITT compared to target, by phase, England³⁶

| | Primary | | Secondary | | Total | |
|---------|------------------|--------|------------------|--------|------------------|--------|
| | Number recruited | Target | Number recruited | Target | Number recruited | Target |
| 2010/11 | 11,107 | 11,770 | 18,343 | 15,859 | 29,450 | 27,629 |
| 2011/12 | 12,790 | 13,040 | 15,590 | 13,807 | 28,380 | 26,847 |
| 2012/13 | 13,874 | 14,421 | 14,293 | 13,817 | 28,167 | 28,238 |
| 2013/14 | 14,004 | 14,130 | 13,050 | 13,340 | 27,054 | 27,470 |
| 2014/15 | 12,782 | 14,328 | 12,971 | 13,866 | 25,753 | 28,194 |
| 2015/16 | 12,578 | 11,245 | 15,183 | 18,541 | 27,761 | 29,787 |
| 2016/17 | 11,516 | 11,489 | 15,713 | 17,687 | 27,229 | 29,176 |

Chart 11
Recruitment to postgraduate ITT compared to target, by phase, England³⁷



3.50 Chart 12 below provides more detail on ITT recruitment in 2016/17 by phase and subject (2015/16 data are included for comparison). Key points are:

- 100% of primary and 89% of secondary training places were filled.

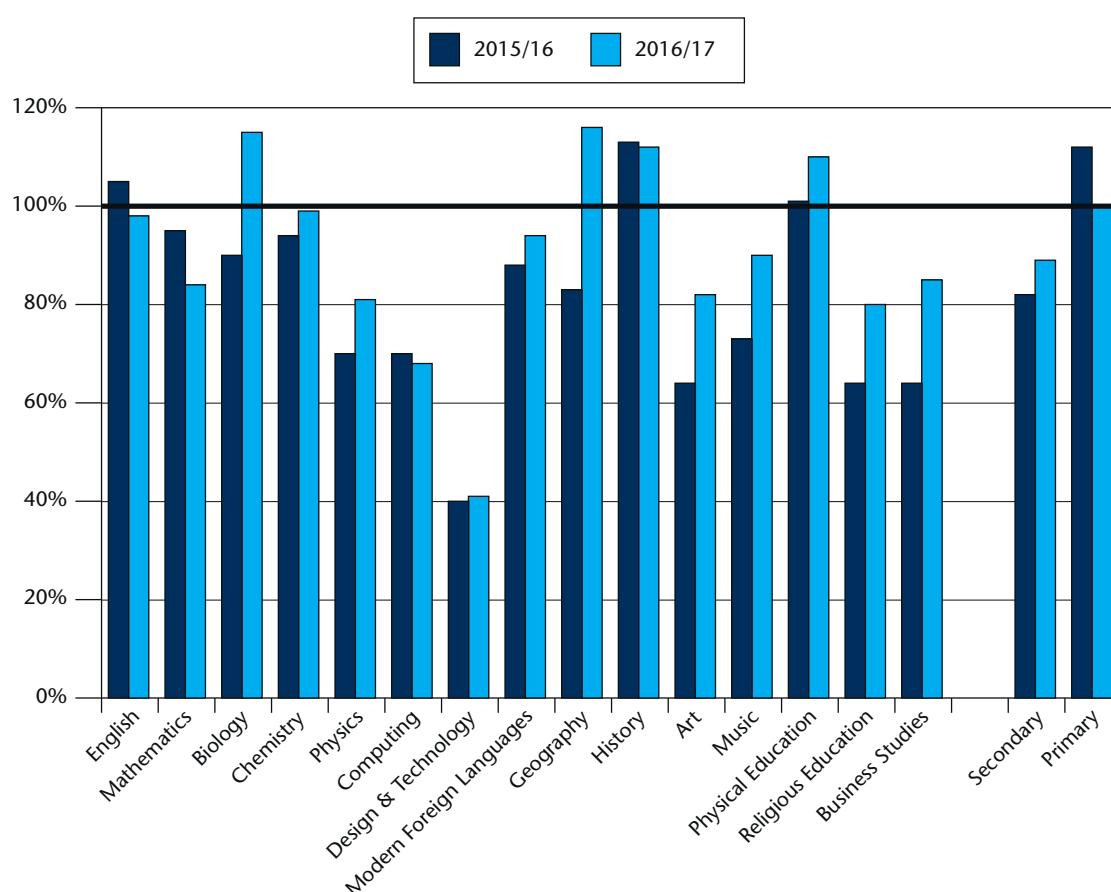
³⁵ OME analysis of ONS population data.

³⁶ OME analysis of DfE Initial Teacher Training Census.

³⁷ OME analysis of DfE Initial Teacher Training Census.

- Recruitment levels varied across secondary subjects. The target was met or exceeded for biology, geography, history and P.E. For all other subjects the number of recruits failed to meet the target; this included maths (84%), physics (81%), computing (68%) and design and technology (41%), all of which have failed to meet their targets for at least the last five years.

Chart 12
Postgraduate ITT entrants compared to target (%), England, 2015/16 – 2016/17³⁸



Gender and ethnicity of recruits to ITT

- 3.51 Males comprised 20% of recruits to primary ITT (down from 22% in 2015/16) and 40% of recruits to secondary ITT (unchanged from 2015/16). The corresponding percentages for the whole teacher workforce in England were 15% and 38% respectively in 2016/17.
- 3.52 Within secondary ITT, the gender split varied considerably by subject with a majority of male recruits in a number of subjects: physics (71%), computing (68%), P.E. (58%) and music (56%).
- 3.53 15% of new recruits were of black, Asian and minority ethnic (BAME) origin in 2016/17, which is slightly higher than both the previous year's figure and the profile of the wider teaching workforce. However, this is significantly lower than the school age pupil population, for which BAME groups make up nearly a quarter³⁹.

³⁸ OME analysis of DfE Initial Teacher Training Census.

³⁹ OME analysis of ONS 2011 Census (age 0-19).

ITT outcomes

3.54 In 2014/15 (the latest year for which data are available), 92% of trainees commencing postgraduate ITT went on to achieve Qualified Teacher Status (QTS). This figure varied between 89% and 90% in the years 2009/10 to 2011/12 but had dropped to 87% in 2012/13⁴⁰. The proportion of trainees achieving QTS and in a teaching post within six months of completing their course was 81% in 2014/15 (80% in 2013/14).

Educational qualifications of ITT students

3.55 Since 2010, the growth in the proportion of teacher trainees with either a first-class honours degree or 2:1 has slightly outstripped growth across the wider graduate population. 74% of trainee teachers commencing their training in 2016 had achieved a first or 2:1⁴¹.

3.56 Alternative measures of prior educational attainment can be examined and recent research by the Institute for Fiscal Studies (IFS) analysed changes over time in individuals' ranked UCAS tariff point score on entry to higher education⁴². Using this measure it found that, overall, new teachers scored very similarly to the wider population of graduates. It found that the average educational achievement of new teachers in high-priority subjects (physical sciences, maths, computing and modern foreign languages) was relatively high, although this had not increased with the introduction of more generous bursaries and scholarships. Over the same period, the prior attainment of new teachers in non-priority subjects (e.g. English, classics and history) had somewhat declined. Although a full-scale evaluation of the increase in bursaries was beyond the scope of its report, IFS concluded that this initial evidence suggested that the higher value of bursaries for high-priority subjects may have prevented a decline in educational attainment among new teachers.

Initial Teacher Education in Wales

3.57 The Welsh Government has continued to reduce Initial Teacher Education (ITE) places. As Chart 13 demonstrates, overall intake numbers have reduced considerably since 2004/05 following a review of ITE provision in Wales and based on evidence of past oversupply of teachers. The number of places on employment-based routes remains relatively small, at around 5% of overall places leading to QTS in Wales⁴³.

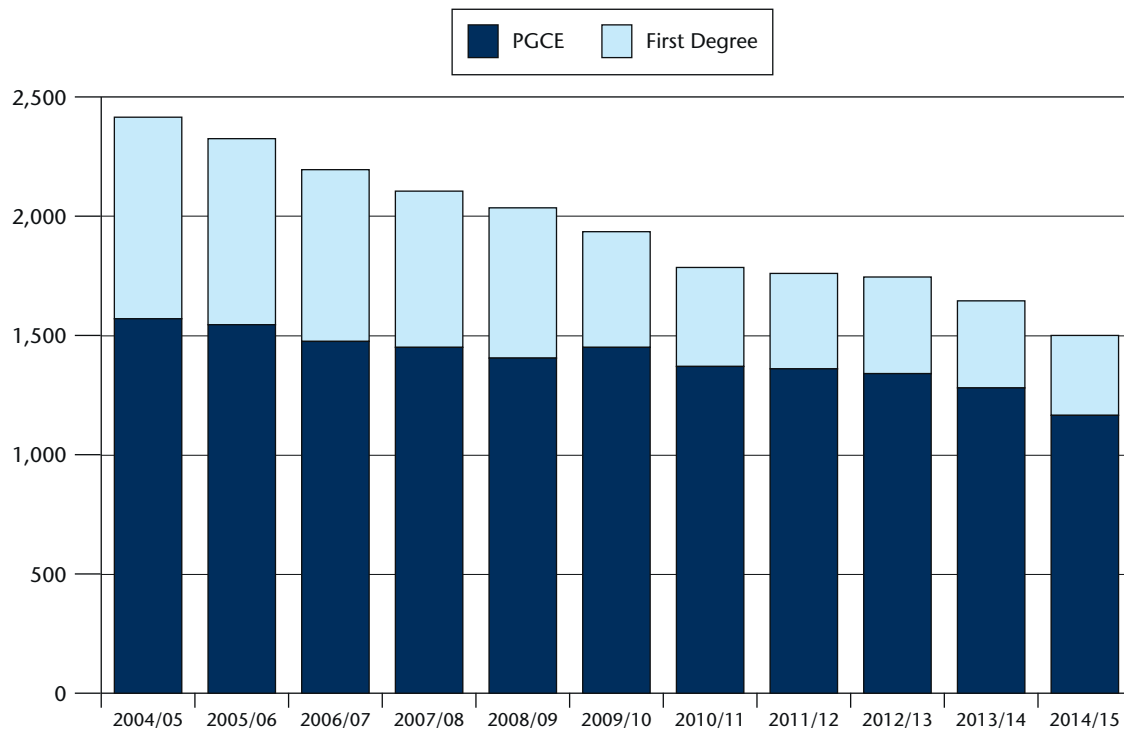
⁴⁰ Department for Education (2016) *Initial Teacher Training Performance Profiles: academic year 2013 to 2014* – <https://www.gov.uk/government/publications/itt-performance-profiles-management-information-2013-to-2014>

⁴¹ OME analysis of DfE ITT Census data.

⁴² Institute for Fiscal Studies (2017) *The Changing Educational Attainment of Graduate Recruits to Major Public Sector Occupations* – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/598689/OME_report_Final_020317_RJL.pdf

⁴³ Welsh Government (2016) *Written submission to STRB*.

Chart 13
First year students on ITE courses in Wales⁴⁴



Teacher vacancies in England

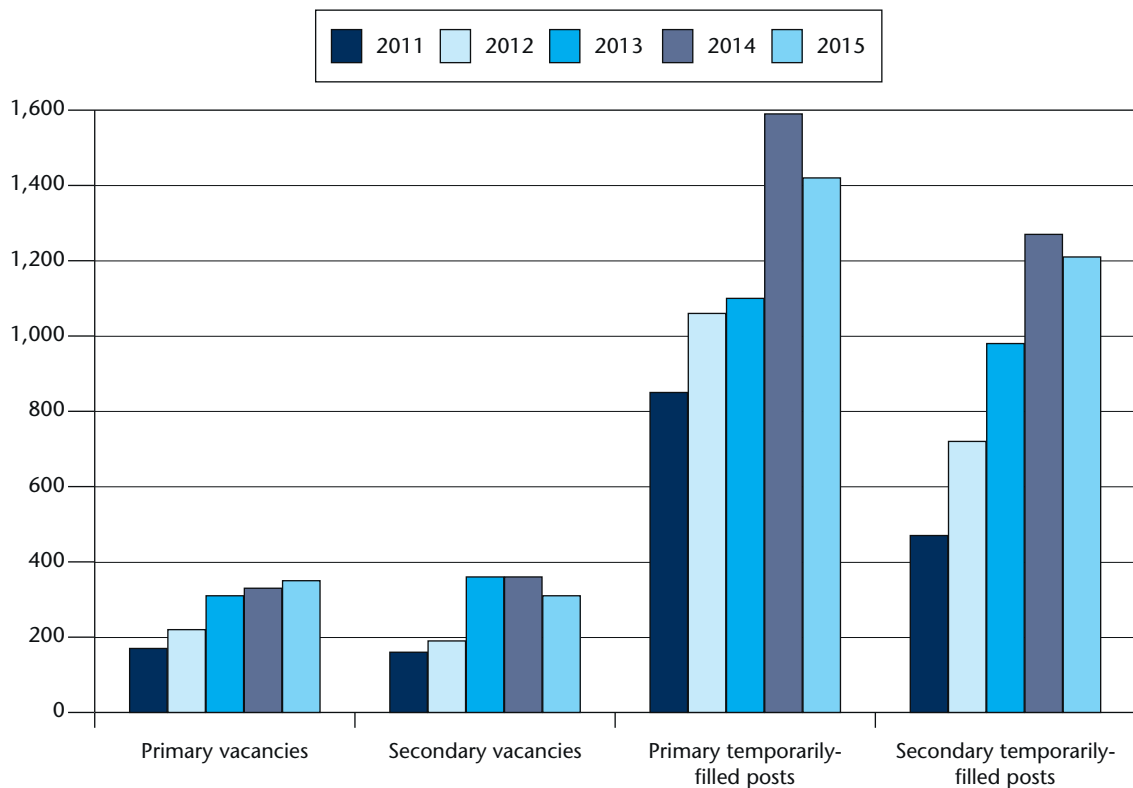
3.58 The published headline vacancy rate⁴⁵ across all state-funded schools in England in November 2015 was 0.2%; the rates for head teachers and deputy/assistant heads were 0.2% and 0.3% respectively. In absolute terms, the 2015 headline rate equated to 730 full-time vacancies and 2,870 full-time posts that were being temporarily filled by a teacher or leader on a contract of at least one term but less than one year.

3.59 Over the last five years the numbers of vacancies and temporarily-filled posts have increased markedly. While the 2015 figures are around double those for 2010, there was some levelling off and reduction between 2014 and 2015.

⁴⁴Welsh Government (2016) *SB46/2016 Initial Teacher Training in Wales, 2014/15* – <http://dera.ioe.ac.uk/27846/1/161027-initial-teacher-training-2014-15-en.pdf>

⁴⁵Advertised vacancies for full-time permanent appointments (or appointments of at least one term’s duration). Includes vacancies being filled on a temporary basis of less than one term.

Chart 14
Full-time vacancies and temporarily-filled posts, England 2011-2015⁴⁶



3.60 Using the broader definition⁴⁷ of vacancies including temporarily-filled posts, we note that in secondary schools in England, the subjects with the highest vacancy rates in November 2015 were maths, sciences and IT. As reflected in the aggregate secondary rates, the numbers of vacancies for all subjects are considerably higher than 2011 but saw decreases between 2014 and 2015 (except for geography, which was unchanged).

3.61 The official aggregate vacancy rates, which are recorded in November, need to be treated with some caution as they can mask a number of issues, including:

- A full representation of the number of vacancies across the academic year;
- Whether a school has recruited teachers with an appropriate range of experience and of the required quality;
- The availability of sufficient, suitably qualified, specialist subject teachers; and,
- Localised variation in vacancies.

3.62 The Department has recently published an alternative measurement of vacancies at a regional level: the proportion of schools within a region which have at least one advertised vacancy or temporarily-filled post on the census day in November. The Department noted in their release that vacancies, particularly when measured in November, are not a comprehensive indicator of recruitment situations within a school and no conclusions can be drawn from the data here as to how vacancies are impacting on schools. Noting these caveats, we present the data below.

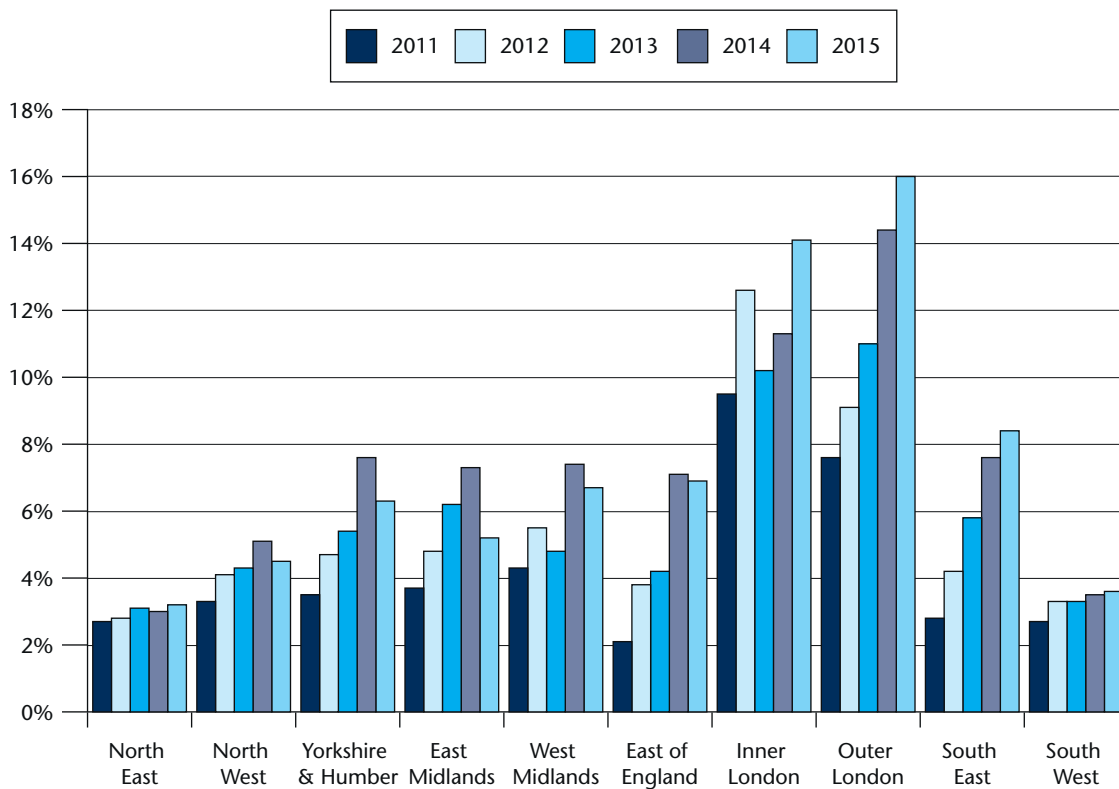
⁴⁶ OME analysis of DfE school vacancy data.

⁴⁷ This includes advertised vacancies for full-time permanent appointments (or appointments of at least one term's duration) and vacancies being filled on a temporary basis of less than one term. Temporarily-filled posts are those where a vacancy exists, advertised or not, which is currently being filled by a teacher on a contract of at least one term but less than a year.

3.63 The key points shown in Charts 15 and 16 are that:

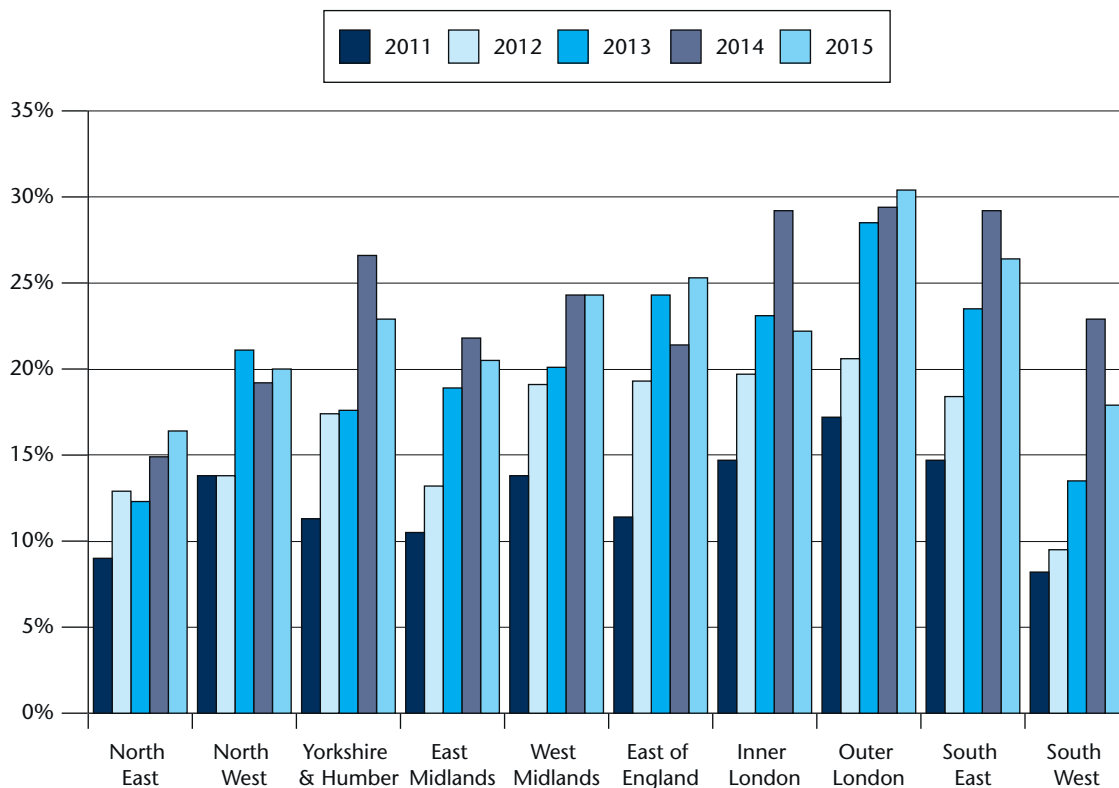
- There was an overall increase across the majority of regions, including a steady increase between 2011 and 2014 in the proportion of schools reporting classroom teacher vacancies or temporarily-filled posts, with London consistently reporting the highest levels. More secondary schools than primary schools recorded vacancies, perhaps simply reflecting the increased probability of recording a vacancy as the size of school increased.
- In both primary and secondary schools the lowest vacancy rates throughout the period were generally in the North East.
- Some regions saw slightly reduced rates in 2015.

Chart 15
Proportion of primary schools reporting teacher vacancies or temporarily-filled posts, 2011-2015⁴⁸



⁴⁸ OME analysis of DfE school vacancy data.

Chart 16
Proportion of secondary schools reporting teacher vacancies or temporarily-filled posts, 2011-2015⁴⁹



Specialist qualification of teachers

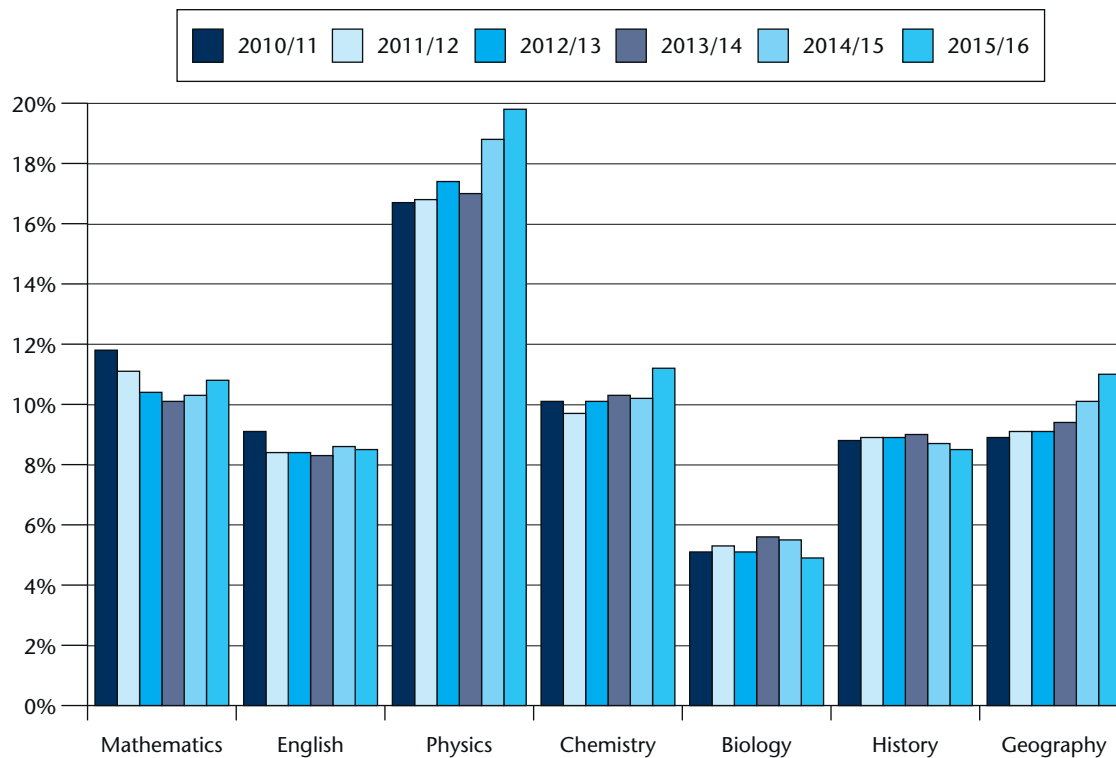
3.64 We have examined the proportion of hours taught by secondary school teachers who do not hold a relevant post A-level qualification. We note that the data for recent years have been significantly revised by the Department since our last report.

3.65 Chart 17 below provides data across a wider range of subjects for the six years to November 2015. The new estimates show considerable variation in the proportion of lessons taught by teachers without relevant post A-level qualification; ranging from 5% for biology to nearly 20% in the case of physics teaching.

⁴⁹ OME analysis of DfE school vacancy data.

Chart 17

Percentage of hours taught in a typical week to pupils in years 7 to 13 by teachers without relevant post A-level qualification, England 2010/11-2015/16⁵⁰



Teacher vacancies in Wales

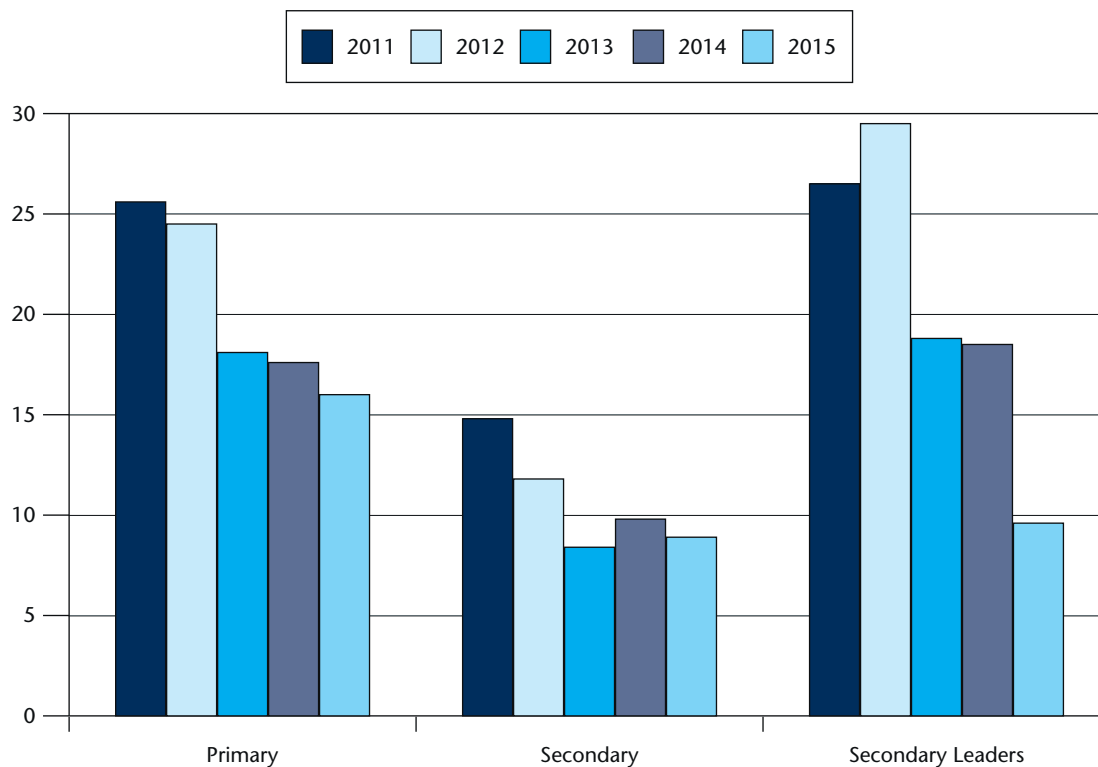
3.66 The latest published statistics for advertised vacancies in Wales show that between 1st January and 31st December 2015, 795 teacher vacancies were advertised for primary schools (785 in 2014) with an average of 16 applications received (with English-medium posts attracting an average of 21 applications per post and Welsh-medium posts attracting an average of 7 applications). The secondary sector saw 830 advertised vacancies (752 in 2014) with an average of 9 applications per post (10 for English-medium and 4 for Welsh-medium)⁵¹.

3.67 We have examined the Wales school workforce data to analyse recent trends in the numbers of applicants per vacancy and extent to which posts remained unfilled. Chart 18 below shows there has been a decrease over the past 5 years in the numbers of applicants per post across both the primary and secondary sectors. There is considerable variation across subjects in 2015, ranging from 4 applicants per post for Welsh-medium posts to 15 applicants for history posts.

⁵⁰ Adapted from Department for Education (2016) 'Specialist and non-specialist' teaching in England: Extent and impact on pupil outcomes – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/578350/SubjectSpecialism_Report.pdf

⁵¹ Welsh Government (2016) *Written submission to STRB*.

Chart 18
Average number of applicants per vacancy, Wales, 2011-2015⁵²



3.68 Our analysis also showed that the proportion of posts advertised where no appointment was made has increased over recent years, with no appointment being made for around 7% of posts across both primary and secondary schools. We also noted that there was a particularly large increase in the failure to appoint to leadership posts in secondary schools (from 13% in 2013 to 30% in 2014 and 25% in 2015).

Teacher retention – England

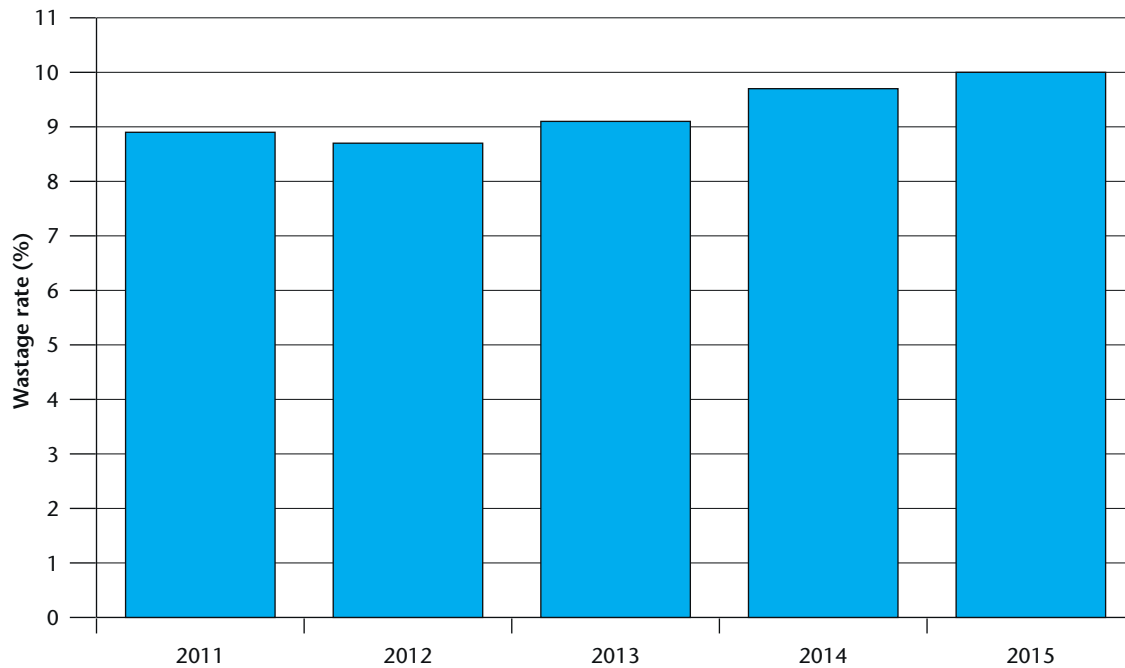
3.69 Chart 19 below shows that the overall annual rate of qualified teachers leaving the profession (the ‘wastage rate’) has increased from less than 9% in 2011 and 2012 to 10% in November 2015 (equating to some 43,000 full-time equivalent teachers leaving in the year to November 2015)⁵³.

⁵² OME analysis of Welsh Government school workforce data.

⁵³ Includes teachers retiring, teachers on career breaks, teachers who have been barred from teaching and teachers leaving to work in sectors outside the state-funded school system in England.

Chart 19

Teacher wastage rates from state-funded schools (FTE), England 2011-2015⁵⁴



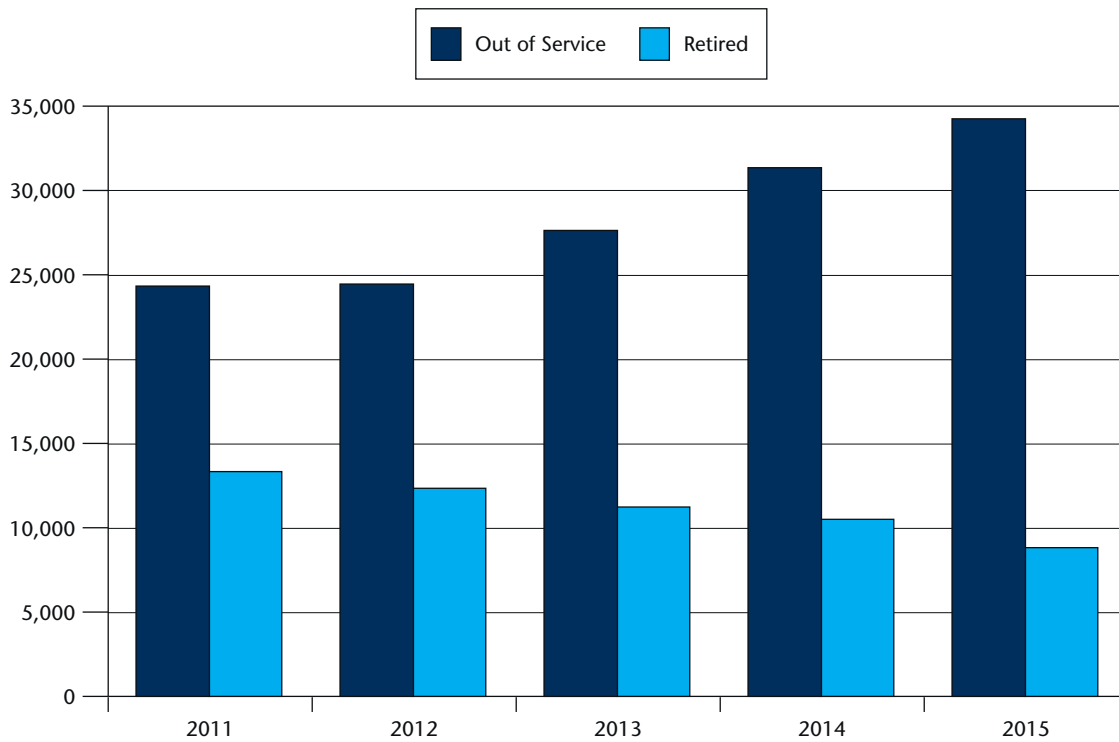
3.70 Within the overall wastage rate, the 2015 data showed that the rate:

- for secondary schools remained higher than for primary schools, with wastage rates of 10.6% and 9.3% respectively;
- for males (10.5%) was slightly higher than that for females (9.7%); and,
- for part-time teachers was higher than for full-time teachers (12.3% and 9.5% respectively).

3.71 The headline wastage figures include both resignations (that is people moving 'out of service') and retirements, and these are presented separately in Chart 20 below. The chart shows a striking divergence since 2011 with a 41% increase in resignations and a 34% decrease in retirements.

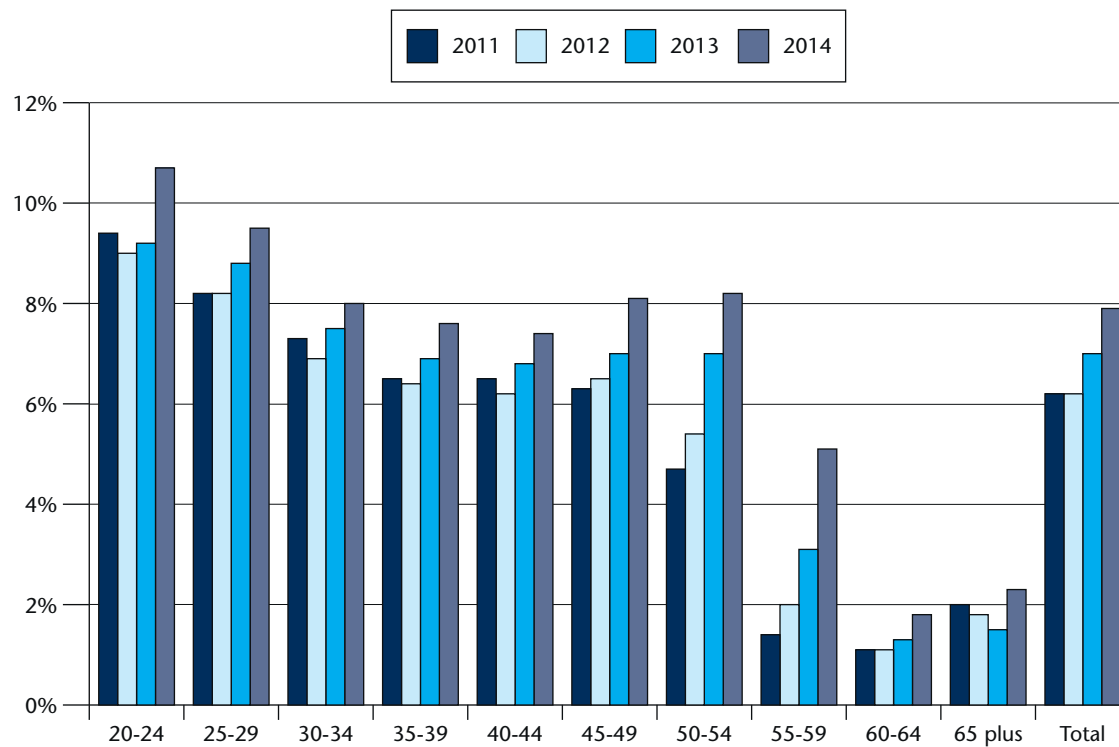
⁵⁴ OME analysis of DfE teacher retention data.

Chart 20
Number of teachers leaving state-funded schools (FTE), England 2011-2015⁵⁵



3.72 Chart 21 draws on data from the Teacher Supply Model and shows teachers' resignation rates by age (excluding retirements). The chart shows that, in recent years, wastage has increased across the age spectrum.

Chart 21
Teacher resignation rates from state-funded schools by age, England 2011/12 to 2013/14⁵⁶

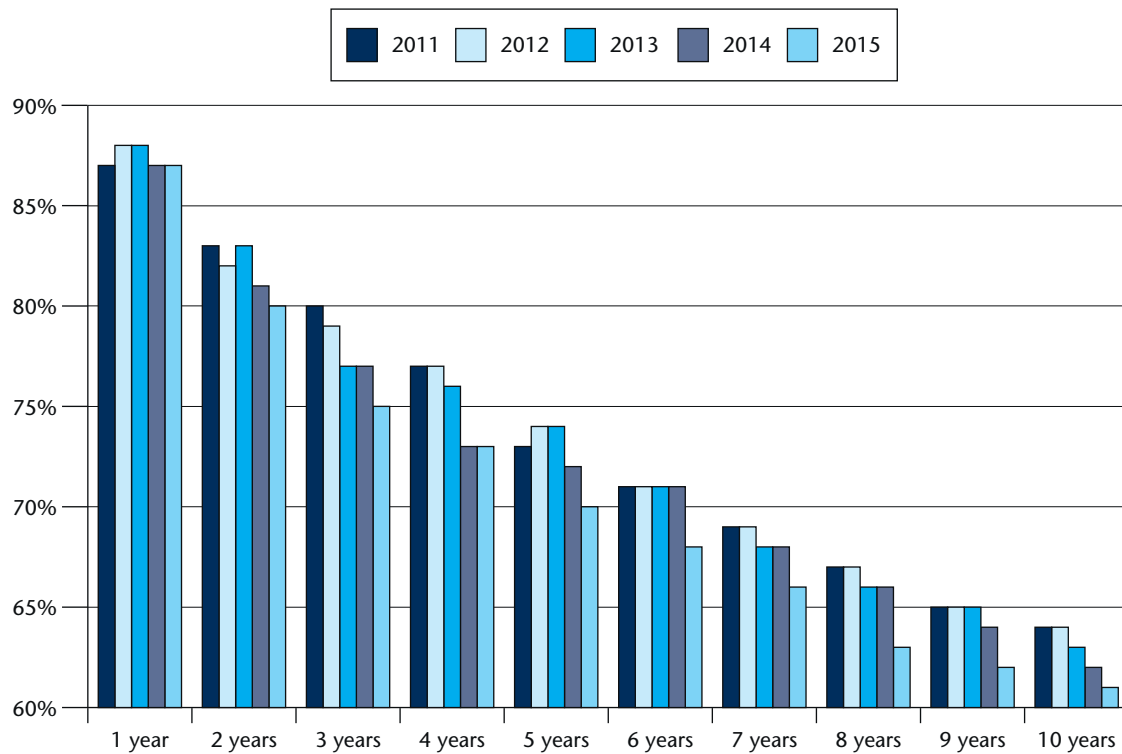


⁵⁵ OME analysis of DfE teacher retention data.

⁵⁶ OME analysis of DfE Teacher Supply Model data.

3.73 Our previous report noted declines in the retention rates for teachers with three, four and five years' service. Chart 22, with an additional year's data, shows a similar picture with further weakening of retention rates for teachers with between two and five years' service (and beyond).

Chart 22
Percentage of teachers retained in the state-funded schools sector in England by years of service⁵⁷



Retention-related research

3.74 A number of recent research reports have provided useful insights into teacher retention and we summarise these in the following paragraphs.

3.75 A study undertaken by the National Foundation for Educational Research (NFER) focussed on teachers' intentions to leave the profession and how this linked to their levels of engagement and support⁵⁸. We in particular noted the following key findings:

- Workload is the key concern (with inspection and policy changes the main drivers of increased hours); insufficient support and flexibility are also important factors.
- A minority of teachers are considering leaving – although this is on the increase (as reflected in official wastage figures).
- Secondary schools are facing the greatest retention pressures and science teachers have a heightened risk of leaving (linked to their highly valued skills).
- Recognition and reward could be an effective tool in supporting retention – although pay is not the main motivator.

⁵⁷ OME analysis of DfE School Workforce data

⁵⁸ National Foundation for Educational Research (2016) *Engaging teachers: NFER analysis of teacher retention* – <https://www.nfer.ac.uk/publications/LFSB01/LFSB01.pdf>

- The report recommended:
 - greater systematic monitoring of teacher engagement and intentions,
 - a more targeted approach to retention; and,
 - greater flexibility (around working patterns, career paths, etc.).

3.76 A report undertaken by the Institute for Fiscal Studies (IFS) examined the costs and benefits of initial teacher training routes and analysed retention rates, including with reference to the level of local wages⁵⁹. Key findings were:

- There is evidence suggesting that high local wages, relative to teacher pay, are associated with lower retention rates.
- Secondary school teachers, particularly those in high-priority subjects, are substantially more responsive to local wages.
- The retention rate is lower for high-priority subjects (which include maths, chemistry, physics and modern foreign languages). Teachers with degrees in these subjects seem to be most in demand, and these are the teachers who are most responsive to outside options, and most likely to change careers.
- Teachers trained through different routes vary in responsiveness to the local labour market, perhaps suggesting that alternative options are more or less important for trainees from some routes.

Recruitment and retention summary

3.77 Our analysis has covered a range of recruitment and retention indicators, and our main findings were:

- Demand, as measured by pupil numbers, will increase over coming years, and very substantially in the secondary sector.
- ITT targets for secondary teachers in England have not been met for four consecutive years, although the absolute number of recruits increased in 2016. Initial recruitment for some secondary subjects is persistently low. In contrast, the primary target was met in 2015 and 2016. Looking forward, the size of the cohort of 18 to 21 year-olds is set to fall in the years to 2021 which is likely to reduce the potential pool of applicants.
- While we have significant concerns about the usefulness of the headline official vacancy rates, we note that the numbers of recorded vacancies and temporarily-filled posts in England have increased markedly over the past five years although there was some levelling off and reduction in 2015. While the headline rate in Wales is low, there has been a decrease in the average number of applicants and an increase in instances of no appointment being made.
- Revised data on the percentage of hours taught by teachers with a relevant post-A-level qualification suggest a relatively stable picture across recent years although we note, for example, that over 8% of English lessons, 10% of maths lessons, and 20% of physics lessons are taught by teachers without a relevant post-A-level qualification.

⁵⁹Institute for Fiscal Studies (2016) *The longer-term costs and benefits of different initial teacher training routes* – <https://www.ifs.org.uk/uploads/publications/comms/R118.pdf>

- Teacher retention in England has deteriorated. The overall leaving rate has increased slightly over recent years, but there has been a considerable increase in the share made up by resignations (as opposed to retirements) from the profession. The retention rates of teachers with between two and five years' service has also decreased.
- We note wider research suggesting that teacher retention is an increasingly significant concern and that levels of retention are in part determined by teachers' relative pay.

CHAPTER 4

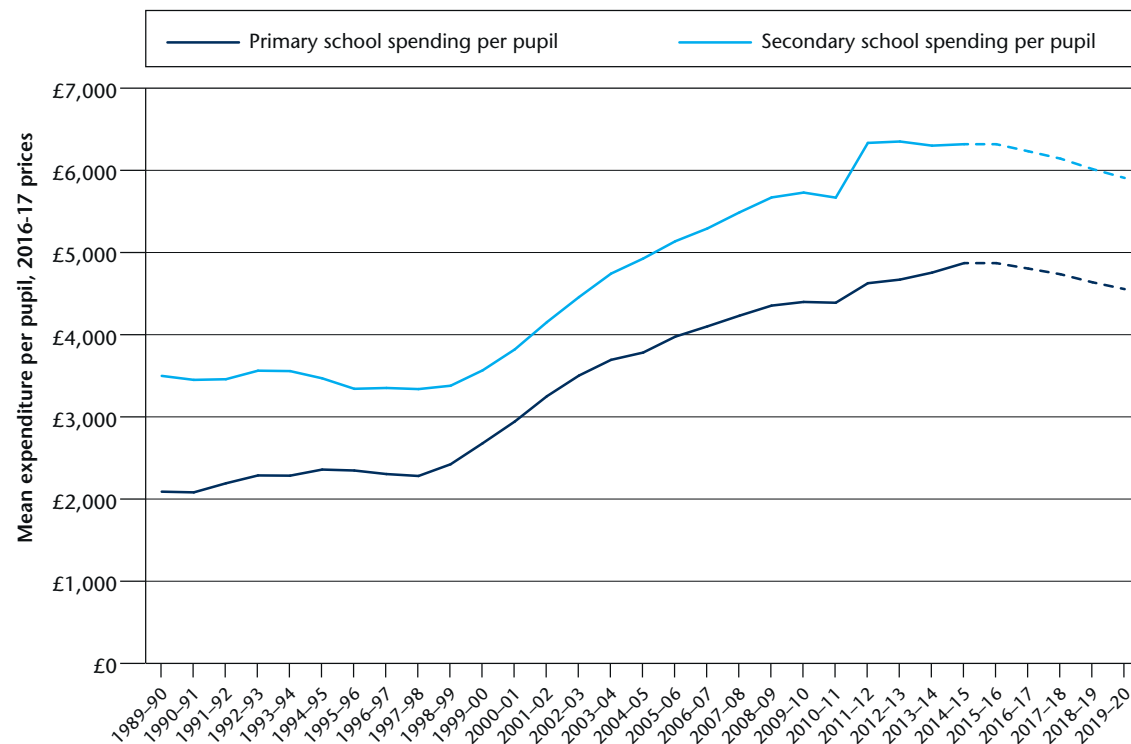
School finances

4.1 We have set out below our understanding of the latest financial position facing schools. This covers: the national context and recent funding settlements; a discussion of the cost pressures facing schools in coming years; and analyses of individual schools' income and expenditure in recent years. In addition to our own analysis, this section draws heavily on the National Audit Office's (NAO) recent report on the financial sustainability of schools¹.

Context

4.2 Recent Institute for Fiscal Studies (IFS) analysis² shows that, over the course of the 1980s and 1990s, there was relatively modest year-on-year growth in primary and secondary school spending per pupil, with some real-terms falls in secondary spending seen in the mid-1990s. From 1999 onwards, in contrast, spending per pupil grew rapidly, with growth of around 5% per year in real terms for primary and secondary schools over the 2000s. School spending was then protected in real terms in the period from 2010; this period also saw the introduction of the pupil premium as a separate funding stream. Overall, per pupil spending almost doubled in real terms between 1997-98 and 2015-16 (see Chart 23 below).

Chart 23
Spending per pupil in primary and secondary schools, actual and planned
(2016-17 prices)³



¹ National Audit Office (2016) *The financial sustainability of schools* – <https://www.nao.org.uk/wp-content/uploads/2016/12/Financial-sustainability-of-schools.pdf>

² Institute for Fiscal Studies (2017) *Long-run comparisons of spending per pupil across different stages of education* – <https://www.ifs.org.uk/uploads/publications/comms/R126.pdf>

³ Adapted from IFS (2017) *Long-run comparisons of spending per pupil across different stages of education*. Figures from 2015-16 to 2019-20 are projections based on policy and spending announcements.

- 4.3 The overall schools budget to 2019-20 was projected to increase broadly in line with forecast inflation, although inflation forecasts have risen since these allocations were agreed in 2015. However, as pupil numbers are rising the amount per pupil received by schools is expected to fall by some 6.5% in real terms⁴. In this context, we note the NAO's recent comment that schools have not experienced this level of real-terms reduction in spending power since the mid-1990s.
- 4.4 The Department provides separate funding for pupils aged 16-19 where per-pupil funding is estimated to have fallen by 18% in real terms between 2010-11 and 2015-16, affecting those schools with sixth forms. Core funding for this age group is only protected in cash terms up to 2019-20⁵.
- 4.5 Responsibility for school funding in Wales sits with the Welsh Government. The education budget in 2016-17 is approximately £2.6 billion and gross expenditure per pupil is budgeted to be £5,570, an increase in cash terms of 0.8% from the previous year. This can be broken down into £4,695 per pupil delegated to schools and £874 per pupil retained for centrally funded school services. Gross schools expenditure per pupil has decreased by some 5% in real terms since 2010-11⁶.

The funding system in England

- 4.6 The main source of income for state-funded primary and secondary schools in England is funding from the Department. It funds academies directly and maintained schools via local authorities. The Dedicated Schools Grant (DSG) is the main grant that the government gives to local authorities for education provision in their area; the pupil premium is an additional funding stream. Local authorities, in consultation with the local schools forum, have some discretion over the weight they attach to certain factors used to determine individual schools' funding levels from the DSG.
- 4.7 In December 2016, the Government launched a consultation on a new national fair funding formula, aimed at addressing perceived inequalities in the current system by redistributing the current schools budget. The Government's proposal is for a national funding formula that distributes the vast majority of funding directly to schools, for implementation from 2018-19. Those schools set to gain under the new formula will receive up to a 3% increase in funding in 2018-19 and up to 2.5% in 2019-20. The proposals include a floor that will limit the overall reduction to any individual school's budget as a result of the new formula to 3% per pupil. The proposed formula would result in an estimated 10,700 schools gaining and some 9,000 schools losing funding. For 6,500 schools, the changes would be limited to a range of plus or minus 2%, with more significant changes for the remaining schools.

School spending on teaching staff⁷

- 4.8 The majority of school spending is on staff. In 2014-15, 76% of total maintained schools' expenditure was on staff costs, and 24% on non-staff costs. Similarly, for academies in 2014-15, the figures were 75% and 25% respectively. The largest component was the cost of teaching staff, which accounted for 51% of total expenditure in maintained schools, and 52% in academies.

⁴ IFS (2017) *Long-run comparisons of spending per pupil across different stages of education*. Forecasts based on 2016 Treasury deflators.

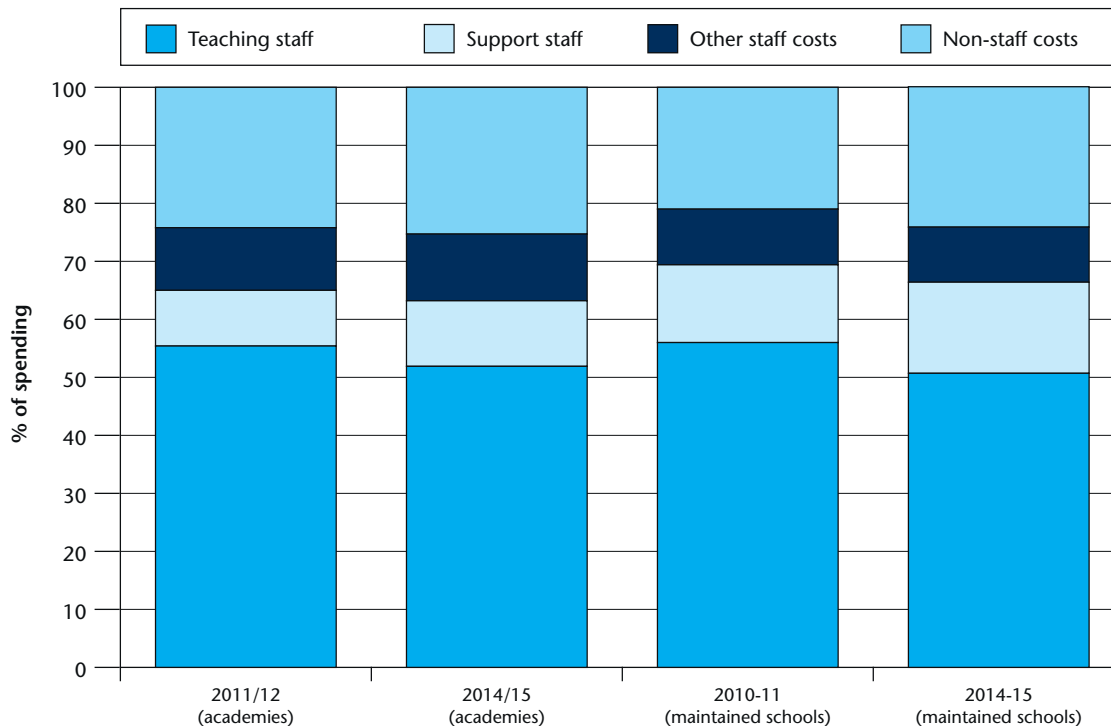
⁵ IFS (2017) *Long-run comparisons of spending per pupil across different stages of education*.

⁶ OME analysis of Welsh Government schools expenditure data.

⁷ National Audit Office (2016) *The financial sustainability of schools*.

4.9 The NAO found that across all maintained schools spending on teaching staff, as a percentage of total expenditure, fell from 56% to 51% from 2010-11 to 2014-15. Similarly, academies' spending on teaching staff, as a percentage of the total, decreased from 55% to 52% between 2011/12 and 2014/15.

Chart 24
School spending patterns in academies and maintained schools, England⁸

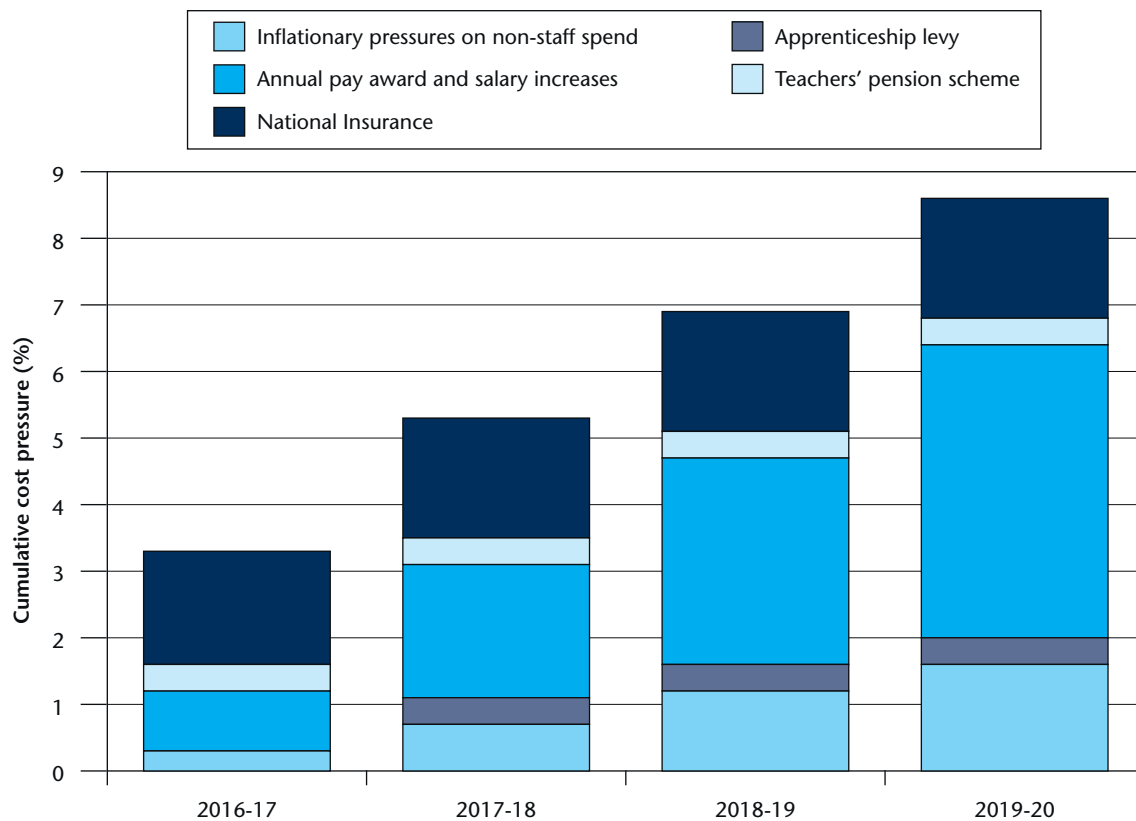


Cost pressures

4.10 The NAO's recent analysis of school finances reported that the Department estimates that schools face cumulative cost pressures over coming years of 3.4% in 2016-17, rising to 8.7% by 2019-20 – or 4.3% excluding pay-related costs (see Chart 25 below). These pressures arise from projected pay-related costs increases, higher employer contributions for National Insurance and pensions and non-pay-related inflation. The majority of schools will also have to pay the new Apprenticeship Levy from April 2017. The extent of these pressures will vary across individual schools. The NAO notes that these estimates exclude any additional costs associated with policy changes or an assessment of the impact on schools of the withdrawal of the Education Services Grant (ESG).

⁸ Adapted from National Audit Office (2016) *The financial sustainability of schools*.

Chart 25
Cumulative additional cost pressures facing schools in England, 2016-17 to 2019-20 (% increase on 2015-16)⁹



Schools' income and expenditure in recent years

4.11 Detailed data allows us to compare schools' within-year income and expenditure over recent years and their accumulated levels of reserves (see Charts 26 and 27 below). It should be noted that the numbers of maintained schools has decreased, and academies increased, across recent years as the academy conversion programme has progressed¹⁰. Data availability varies between maintained schools and academies, so these are presented separately below.

Maintained schools' finances

Maintained primary schools

- Between 2010-11 and 2015-16, the proportion of maintained primary schools whose annual spending exceeded their annual income decreased from 35.6% to 32.1%.
- Between 2010-11 and 2015-16, the proportion with positive reserves increased slightly from 94% to 94.8% and those with negative reserves fell from 5.7% to 4.5%.

⁹ Adapted from National Audit Office (2016) *The financial sustainability of schools*.

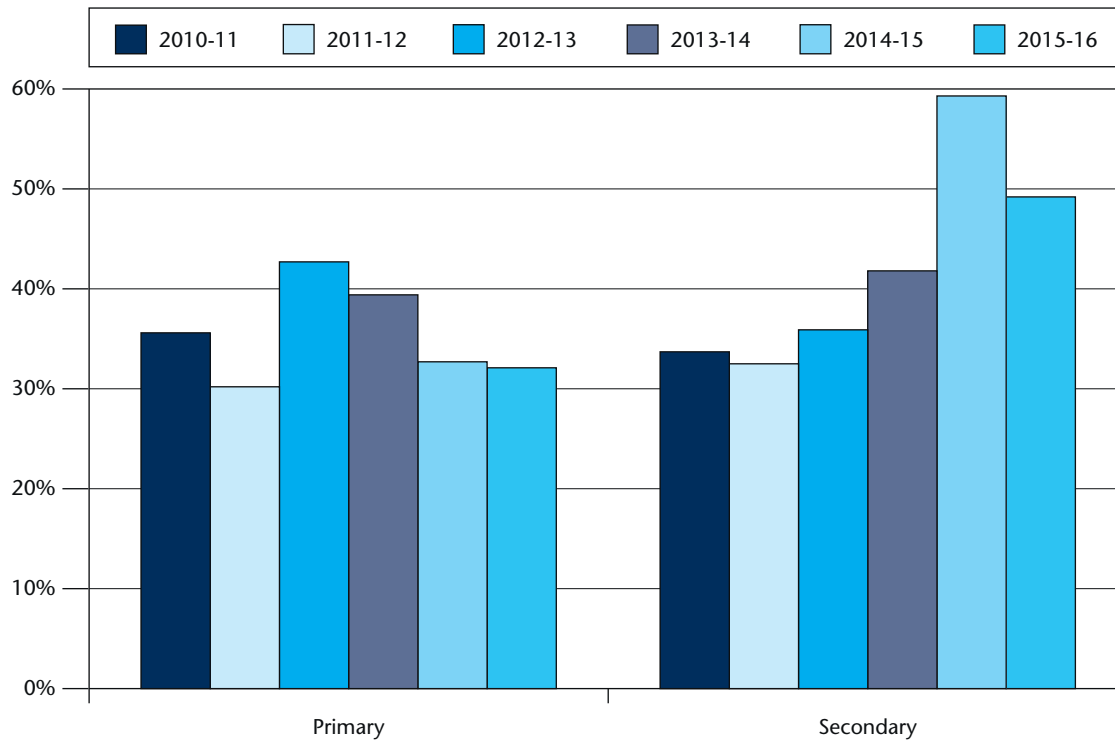
¹⁰ The total number of maintained primary schools covered by these data fell from 17,021 in 2010-11 to 14,038 in 2015-16. The corresponding numbers of secondary schools were 3,129 in 2010-11 and 1,250 in 2015-16.

Maintained secondary schools

- Between 2010-11 and 2014-15, the proportion of maintained secondary schools whose annual spending exceeded their annual income rose from 33.7% to 59.3% before decreasing to 49.2% in 2015-16.
- Between 2010-11 and 2015-16, the proportion with positive reserves fell from 83.3% to 80.7% and those with negative reserves increased from 14.6% to 17.9%.

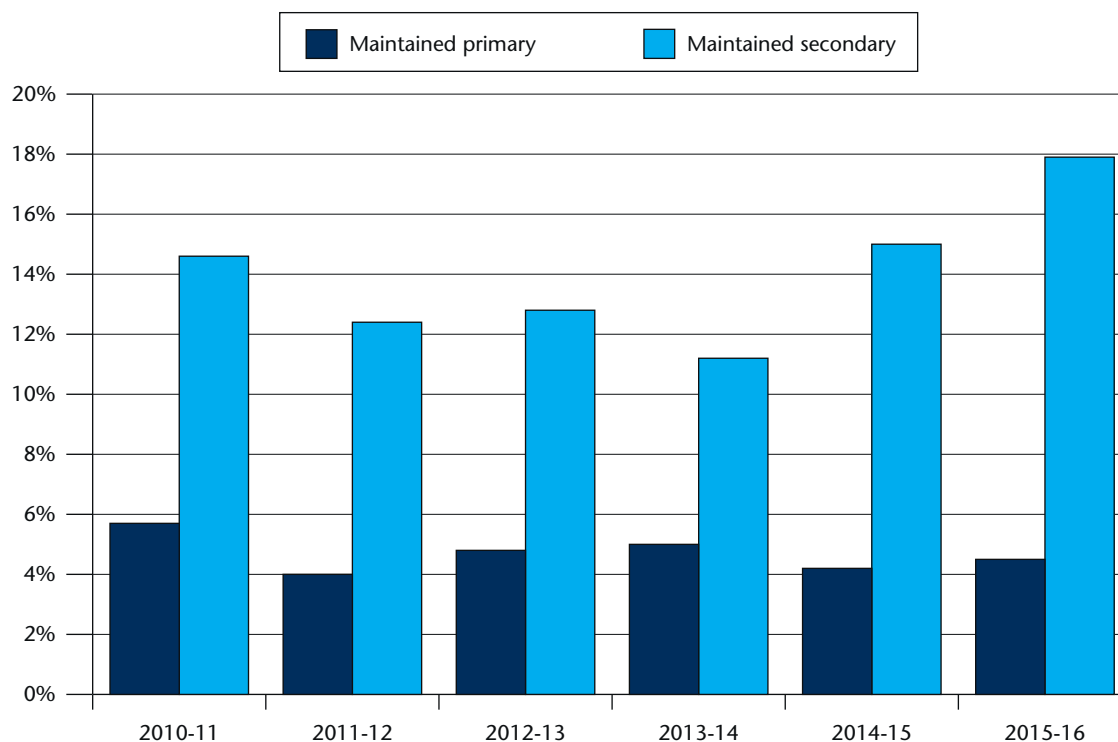
Chart 26

Percentage of maintained schools in England whose annual spend exceeded their annual income, 2010-11 to 2015-16¹¹



¹¹ OME analysis of National Audit Office (2016) *The financial sustainability of schools* and DfE school finances data.

Chart 27
Percentage of maintained schools in England with negative reserves, 2010-11 to 2015-16¹²



4.12 The NAO’s analysis made the following additional points with regard to maintained schools:

- In 2014-15, 11.6% of maintained schools held reserves worth 15% or more of their annual income.
- There is variation between local authorities in the proportion of maintained secondary schools with negative reserves; a small number of local authorities account for a large proportion of schools with negative reserves.
- Small schools face particular financial challenges and are less likely to be able to benefit from economies of scale. For example, the NAO found that smaller maintained secondary schools are more likely to be in deficit.

4.13 For maintained schools, the NAO suggested that, in general, the financial health of primary schools has remained relatively unchanged from 2010-11 to 2014-15 but “an increasing proportion of secondary schools may be struggling financially”.

4.14 Table 5 below shows the size of school reserves as a percentage of schools’ annual revenue income in 2014-15 and 2015-16. In recent years the median positive reserve has been around 6-8% of income and the median negative reserve between 2% and 5% of income¹³. Our analysis showed that the *distribution* of reserves shows considerable variation around the median figures.

¹² OME analysis of DfE school finances data.

¹³ Department for Education (2016) *Expenditure by local authorities and schools on education, children and young people’s services: 2015-16* – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/576914/SR63_2016_Text.pdf. OME analysis of detailed school-level data.

Table 5
School Reserves (% of total revenue income), England¹⁴

| | | 2014-15 | 2015-16 |
|---------------------------------|-----------------------|---------|---------|
| LA maintained primary schools | <i>Median surplus</i> | 7.7% | 8.0% |
| | <i>Median deficit</i> | 2.0% | 1.8% |
| LA maintained secondary schools | <i>Median surplus</i> | 5.8% | 5.8% |
| | <i>Median deficit</i> | 4.4% | 4.6% |

Academy finances

4.15 For academies, the NAO suggested that some single academy trusts have been building up reserves and that an increasing proportion of academies have been spending more than their income (see Chart 28 below).

Primary academies

- The proportion of primary academies spending more than their income increased from 32% in 2012/13 to 44% in 2014/15.
- Between 2011/12 and 2014/15, the proportion of primary single academy trusts in deficit decreased from 3.2% to 1.6% and, for those trusts, the average deficit fell.

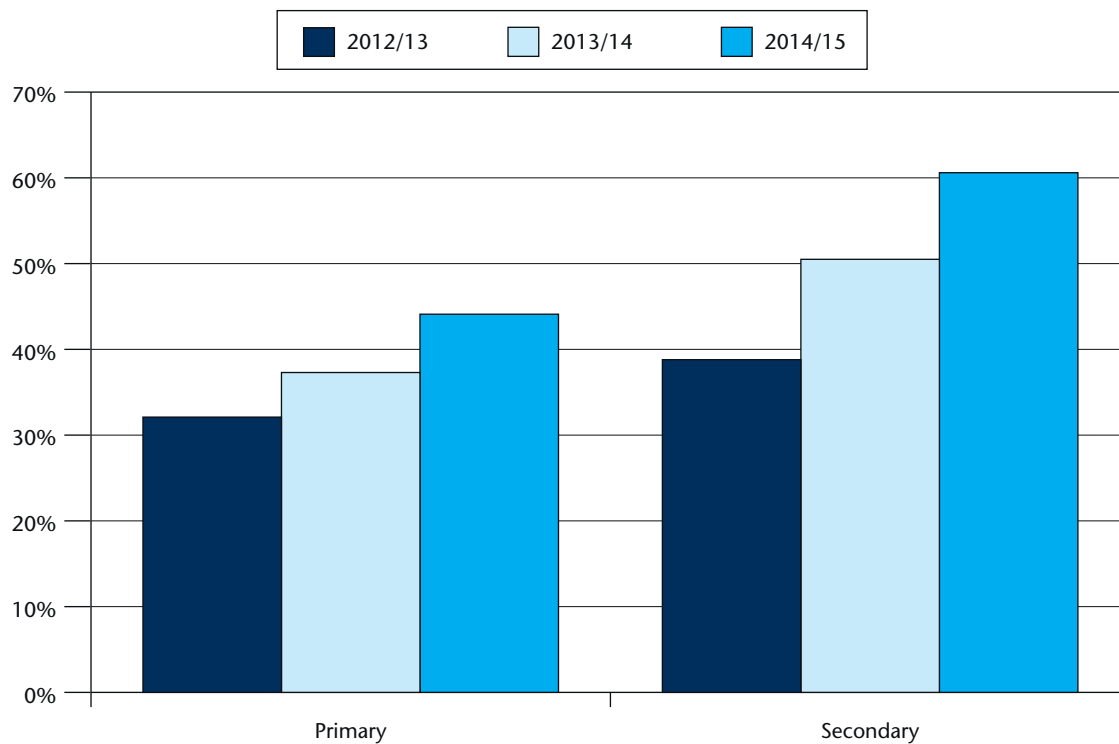
Secondary academies

- Between 2012/13 and 2014/15, the proportion of secondary academies spending more than their income increased from 39% to 61%.
- Between 2011/12 and 2014/15, the proportion of secondary single academy trusts in deficit increased from 3.2% to 6.1% and, for those trusts, the average deficit fell.

4.16 The NAO reported that those academies spending more than their income may be using their reserves but, as the Department has not analysed income and expenditure alongside revenue balances, it cannot be sure whether this pattern of spending is directly leading to increased deficits.

¹⁴ OME analysis of DfE school finances data.

Chart 28
Percentage of academies spending more than their income, 2012/13 to 2014/15¹⁵



Schools in Wales

4.17 In Wales, some 87% of schools held reserves and 13% deficits at 31st March 2016. The overall level of reserves held by schools in Wales was £64 million, or 3% of delegated schools expenditure. The proportion of schools with negative reserves has increased in the past three years (from 10.8% in 2013 to 13.2% in 2016) and, over a longer period, there has been a decrease in schools carrying reserves worth over 10% of their delegated annual expenditure¹⁶.

School finances summary

4.18 The financial position for schools is increasingly challenging. Recent years have seen increasing numbers of schools spending more than their annual income and increasing numbers of secondary schools in deficit. Projected per-pupil funding is forecast to fall by 6.5% in real terms between 2015-16 and 2019-20¹⁷. Over the same period, all schools are facing additional cost pressures from a range of factors, which the NAO estimates to cumulatively equate to an increased cost of some 8.7% over the four years to March 2020. The planned introduction of a new funding formula from 2018-19 means that many schools must additionally prepare for adjustments to their funding levels.

¹⁵ Adapted from National Audit Office (2016) *The financial sustainability of schools*.

¹⁶ Welsh Government (2016) *Reserves Held by Schools in Wales at 31 March 2016* – <http://gov.wales/docs/statistics/2016/161020-reserves-held-schools-31-march-2016-en.pdf>

¹⁷ IFS (2017) *Long-run comparisons of spending per pupil across different stages of education*.

CHAPTER 5

Our conclusions and recommendations

5.1 This chapter provides our conclusions on the main factors in our consideration of the current remit, including the position of teachers in the graduate labour market, recruitment and retention, school finances, and schools' use of the pay framework. It then sets out our recommendations to the Prime Minister and Secretary of State.

Pay review for 2017

5.2 The Secretary of State asked us to make recommendations on “*what adjustments should be made to the salary and allowance ranges for classroom teachers, unqualified teachers and school leaders to promote recruitment and retention within the 1% limit for pay awards for public sector workers.*” In considering the evidence, we have taken into account the specific points raised by the Secretary of State in her remit letter (Appendix A):

- The Government's public sector pay policy;
- Affordability, both at a national level and for individual schools;
- The national state of teacher and school leader supply;
- The labour market in England and Wales;
- Changes in pupil population and the consequent impact on the demand for teachers; and,
- The Government's commitment to increasing autonomy for schools on pay matters.

5.3 In Chapter 1, we set out the background to this remit. We noted in particular the recent reforms to the framework for teachers' pay and conditions. These established a system that provides for pay progression related to an annual appraisal of performance for all teachers and allows school leaders and governing bodies to develop pay policies to support recruitment and retention of high quality teachers and make the best use of their resources. We also acknowledged that the broader context to this remit is, as in recent years, one of fiscal constraint and public sector pay restraint. In addition, forecasts suggest a period of increased economic uncertainty in the coming years following last year's decision to leave the EU.

5.4 In reaching our conclusions, we have considered carefully the views and representations of our consultees (set out in Chapter 2) along with relevant data on the teacher labour market (Chapter 3) and school finances (Chapter 4). We also considered a number of reports presenting research findings and analyses relevant to our remit, which are cited throughout this report. In particular, we noted the National Audit Office (NAO) report, *Financial sustainability of schools*¹, and the House of Commons Education Committee report, *Recruitment and retention of teachers*² and research on the teacher labour market undertaken by independent analysts.

¹ National Audit Office (2016) *Financial sustainability of schools* – <https://www.nao.org.uk/wp-content/uploads/2016/12/Financial-sustainability-of-schools.pdf>

² House of Commons Education Committee (2017) *Recruitment and retention of teachers* – <https://www.publications.parliament.uk/pa/cm201617/cmselect/cmeduc/199/199.pdf>

Teachers in the graduate labour market

- 5.5 Teaching is a graduate profession and a substantial proportion of the entrants into teaching each year are recent graduates. The relative position of teaching in the graduate labour market is therefore key to teacher supply. The Review Body expressed concern in recent reports about emerging risks in relation to the labour market for teachers. In particular, we noted increasing demand in the graduate labour market, improving career opportunities for graduates generally, and a decline in the position of starting and profession-wide pay for teachers relative to other graduate professions.
- 5.6 This year, most of our consultees argued that there was a pressing need for a pay uplift of more than 1% for teachers. Consultees stated that this was required to make teachers' pay more competitive in relation to other graduate professions and to mitigate the real-terms reduction in teachers' pay since 2010. Several consultees also highlighted the forecast rises in inflation for 2017/18, stating that this would further undermine the real-terms value of teachers' pay.
- 5.7 The evidence this year on the graduate labour market (Chapter 3) suggests that it will remain a challenging environment in which to recruit and retain teachers. In particular, we observed that:
- Despite some initial concerns about graduate recruitment following the EU referendum, the number of graduate opportunities increased in 2016 and appears set to continue to grow in 2017. High Fliers found UK top 100 graduate employers increased graduate recruitment numbers by 1.6% in 2016 from 2015, and this was forecast to rise by a further 4.3% in 2017³ (Chapter 3 – Paragraphs 3.15 to 3.16).
 - Starting pay for teachers remains lower than for other graduate professions. The latest Higher Education Statistics Authority (HESA) data showed that in 2015 the median starting pay for graduates joining other *professional occupations*⁴ was higher than the starting pay that could be expected by most new teachers in all regions apart from Inner London and the North West (Chapter 3 – Paragraph 3.24). More recent data, for 2016, suggests the gap between teachers and new recruits to graduate training schemes is even greater (Chapter 3 – Paragraph 3.19 and Table 1).
 - From this lower starting point, teachers continue to face worse prospects in terms of pay progression in their early years than those joining other graduate professions. Estimates suggest that graduates with five years' tenure are, on average, paid 60% more than their starting salary. Teachers, assuming they reach the top of the main pay range, can expect to see their pay increase by 48% over the same period (Chapter 3 - Paragraph 3.28 and Chart 7).
 - Classroom teachers' median pay was lower than the median earnings of those in other *professional occupations* in nine out of ten English regions in 2015/16, and the relative position of teachers' profession-wide earnings had deteriorated since 2011/12 (Chapter 3 – Paragraphs 3.29 to 3.30 and Chart 8).
- 5.8 Teachers therefore continue to be paid less on average than other graduate professions. This is true for early career teachers, both on joining and in their first few years, and for more experienced teachers. In a strong labour market with increasing opportunities for graduates, this makes it a difficult environment in which to recruit and retain high quality graduates as teachers.

³ High Fliers (2017) *The graduate market in 2017* – https://www.highfliers.co.uk/download/2017/graduate_market/GMReport17.pdf

⁴ As described by the Standard Occupational Classification (SOC).

Recruitment and retention

- 5.9 This year, most of our consultees told us that schools faced severe and on-going pressures in relation to teacher recruitment and retention. Several of the teacher unions characterised the overall situation as a crisis. Many consultees reported that schools were experiencing significant problems recruiting teachers and several noted the on-going failure to meet the overall ITT target in England. We also noted the concerns raised by the House of Commons Education Committee in its recent report on teacher recruitment and retention⁵ and in the NAO's 2016 report⁶ on teacher training.
- 5.10 In regard to teacher retention, workload was universally identified as the central factor. But a number of consultees also asserted that pay is an increasingly significant consideration, arguing that on-going pay restraint was discouraging teachers from remaining in the profession. We also saw new evidence of a link between pay and teacher retention, with research⁷ conducted by the Institute of Fiscal Studies finding that teacher retention is lower in areas where the pay of other workers is higher.
- 5.11 In Chapter 3, we presented our assessment of the evidence available on the trends in teacher recruitment and retention. In particular, we observed the following points in relation to the teaching workforce in England:
- That the number of recruits to ITT in 2016/17 was less than the overall target set by the Department for a fifth successive year, and targets for the secondary sector and most individual subjects were not met (Chapter 3 – Paragraph 3.50 and Charts 11 and 12).
 - That, despite some levelling off and reduction between 2014 and 2015, the overall number of vacancies and temporarily-filled posts had risen significantly between 2011 and 2015 (these equated to 730 full-time vacancies and 2,870 temporarily-filled full-time posts in 2015, while in 2011 this was 350 and 1,450 respectively) (Chapter 3 – Paragraphs 3.58 and 3.59 and Chart 14).
 - That a substantial proportion of hours taught in secondary schools in a range of subjects continue to be delivered by teachers who do not hold a relevant post A-level qualification. This included nearly 20% of the hours taught in Physics (Chapter 3 – Paragraph 3.65 and Chart 17).
 - A continuation of the upward trend in both the rates of qualified teachers leaving the profession (which rose from 9.7% in November 2014 to 10% in November 2015) and the numbers of teachers moving 'out of service'⁸ (which had risen by 41% from 24,330 in 2011 to 34,250 in 2015) (Chapter 3 – Paragraphs 3.69 to 3.71 and Charts 19 and 20).
 - Continued deterioration of retention rates for teachers with between two and five years of service, with the proportion of teachers remaining in the profession after three and five years both falling by 2 percentage points between 2014 and 2015 to 75% and 70% respectively (Chapter 3 – Paragraph 3.73 and Chart 22).
- 5.12 Evidence from the Welsh Government suggested that the situation in Wales is different to England. This included an indication that teacher retention rates are substantially higher in Wales and that teachers' starting pay was more competitive in relation to median graduate starting pay in Wales than in England. However, the teaching unions told us that schools in Wales did experience problems recruiting and retaining teachers.

⁵ House of Commons Education Committee (2017) *Recruitment and retention of teachers*

⁶ National Audit Office (2016) *Training new teachers* – <https://www.nao.org.uk/wp-content/uploads/2016/02/Training-new-teachers.pdf>

⁷ Institute for Fiscal Studies (2016) *The longer-term costs and benefits of different initial teacher training routes* – <https://www.ifs.org.uk/publications/8368>

⁸ Leaving the profession through resigning, as opposed to retiring.

- 5.13 It is important that the trends reported above are considered in the context of forecasts of the demand for teachers. We note in particular that there will be a need for a substantial number of additional teachers in secondary schools over the next ten years as a consequence of increasing pupil numbers (Chapter 3 – Paragraph 3.35 and 3.36 and Chart 10). As a result of curriculum changes, there will also be a need for an increasing number of graduates in English Baccalaureate (EBacc) subjects; we note that many of these subjects are those for which recruitment targets have been missed in recent years (Chapter 3 – Paragraph 3.50). In addition, with a smaller cohort of 18 to 21 year-olds expected between 2015 and 2021 than in previous years, it is likely that there will be a smaller overall pool of graduates from which to attract recruits into teaching (Chapter 3 – Paragraph 3.49).
- 5.14 Taking all of these factors into account, we consider that there is clear evidence that the trends we identified in relation to recruitment and retention in our recent reports have continued. The pressures faced by schools in attracting high quality teachers to support pupil achievement have therefore not reduced.

School finances

- 5.15 School funding was raised by our consultees as a major concern this year. Many told us that schools faced substantial financial challenges and argued that it was essential that the Department provide additional funding to meet the cost of implementing any uplift to teachers' pay and allowance ranges in 2017/18. On the other hand, NASUWT told us that the levels of schools' financial reserves indicated that such concerns about funding were overstated and that a pay uplift of more than 1% could be managed.
- 5.16 The evidence this year suggests to us that the situation in relation to school funding is becoming more challenging, particularly for secondary schools. The Department emphasised to us that the overall schools' budget in England was projected to rise broadly in line with inflation up to 2019-20. It asserted that this would protect overall funding levels in real terms, although we note that forecast inflation over this period has increased since these budget allocations were set. However, as pupil numbers are also forecast to rise over this period, the amount of funding received by schools per pupil is expected to fall in real terms. We note, in relation to this, recent analysis by the Institute for Fiscal Studies⁹ that showed that, on current plans, schools will face real-terms cuts in per-pupil funding from 2015-16 to 2019-20. This follows a sustained period of real-term increases, so schools will be experiencing and having to manage cuts in per-pupil funding for the first time in almost two decades.
- 5.17 Schools will face additional financial pressures in the coming years. We note the NAO calculates¹⁰ that schools will face cumulative cost increases of around 8.7% by 2019-20. Included in this calculation are the expected annual pay awards and salary increases that will be the subject of this and future STRB reports. Even with these forecasts for pay excluded, the NAO calculations suggest that schools will face additional cumulative costs of around 4.3% by 2019-20 as a result of:
- higher employer contributions for both National Insurance and pensions;
 - inflationary pressures on non-staff spending; and,
 - the new Apprenticeship Levy.

⁹ Institute for Fiscal Studies (2017) *Long-run comparisons of spending per pupil across different stages of education* – <https://www.ifs.org.uk/publications/8937>

¹⁰ National Audit Office (2016) *Financial sustainability of schools*

- 5.18 We also note that the Government has consulted on proposals for a new national funding formula which would distribute the vast majority of school funding directly to schools. This is planned to be implemented from 2018-19¹¹. The proposed new formula would have the effect of redistributing the existing level of funding between schools with the intention of making budget allocations more equitable. There would be ‘winners’ and ‘losers’ among individual schools as a result of such a redistribution, but the Government is proposing to limit the amount by which any individual school’s budget can be reduced.
- 5.19 Overall, it is evident that the financial position for schools is more challenging than in recent years and that funding pressures will continue until at least 2019-20. In this context, we note that the Department said that funding had been allocated to schools at a level that should accommodate a pay award of up to 1% and that they had no plans to allocate additional money. While it is relevant to our work, the Government’s policy on school funding is not a matter on which the STRB should make recommendations, nor can we recommend adjustments to the national pay framework that are contingent on extra funding. But we recognise that many schools are facing financial pressures that will require them to make difficult decisions about how best to use their funding. Each school will have to determine its own priorities and set its budget accordingly. In our view, the supply of effective teachers should be a primary consideration in these decisions. While we recognise that schools will have to balance their budgets and address short-term pressures, there also needs to be a longer-term investment in an effective teaching workforce through prioritising teacher recruitment and retention.

Schools’ use of the national pay framework

- 5.20 As outlined in Chapter 1, recent reforms have given school leaders and governing bodies additional tools to help manage pay in their schools. Schools can set pay policies that allow them to differentiate pay awards based on individual performance appraisals as appropriate. They can also use pay flexibilities to respond to the pressures of their local labour market. Governing bodies have greater flexibility to set leadership pay to reflect any particular challenges involved in managing their schools and to attract and retain effective school leaders.
- 5.21 In the absence of a full evaluation of the new pay system, much of the evidence about how schools are using the tools provided to them by recent reforms is anecdotal. The overall picture presented by our consultees was that, while there is evidence of some schools beginning to use pay flexibilities to support recruitment and retention, it is clear that many school leaders and governing bodies are not yet using them confidently. This aligns with what we have seen on our visits to schools. It is therefore clear that there is more to be done to embed the pay reforms across the school system in England and Wales. In the current challenging environment, this is vital to support the recruitment and retention of good teachers.

Our conclusions and recommendations

- 5.22 It is essential that the national pay and allowance framework for teachers attracts high quality graduates to the profession, retains experienced and capable teachers, and motivates and rewards fairly those who take on additional responsibilities and leadership positions. The role of the STRB is to make recommendations on the minima and maxima of the teachers’ pay and allowance ranges that position the teaching profession in the graduate labour market to help support these objectives.

¹¹ Department for Education (2016) *Schools national funding formula* – https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/supporting_documents/NFF_Stage2_schools_consultationdoc.pdf

- 5.23 In our 26th report (July 2016) we said that, based on our assessment of recruitment and retention alone, there was a case for a higher than 1% uplift to the national pay framework. We therefore advised the Department and other consultees that they should help schools to prepare for this. Our analysis of the evidence for the current pay round shows that the trends in recruitment and retention evident last year have continued – teacher retention rates continued to fall, particularly for those in the early stages of their career, and targets for ITT recruitment continue to be missed. We are deeply concerned about the cumulative effect of these trends on teacher supply. We consider that this presents a substantial risk to the functioning of an effective education system, particularly in the context of increasing demand for secondary phase teachers and specialists in EBacc subjects.
- 5.24 It is clear that a range of factors are contributing to this continued deterioration in recruitment and retention. The pressures of high workload and strict accountability are clearly major causes of teacher wastage, but we also see pay as an important factor. The evidence shows that, on average, starting pay and the prospects of pay progression are worse for teachers than for those joining other graduate professions. This makes it more difficult to attract suitable graduates to join, and remain in, the teaching profession, particularly while the graduate labour market offers increasing opportunities.
- 5.25 We therefore consider that there is a strong case for an uplift to the national pay framework that would start to reduce the gap between teaching and other graduate professions. This is necessary to mitigate recruitment and retention pressures and make sure that a high quality teaching workforce is maintained in England and Wales to support pupil achievement.
- 5.26 Our remit requires us to consider the affordability of our recommendations. The Secretary of State emphasised to us that there will be no additional funding for schools to implement a pay award. We recognise that implementing a pay uplift of more than 1% within their current funding allocations may require some school leaders and governing bodies to take difficult decisions.
- 5.27 As we have stated in previous reports, uplifts to the minima and maxima of the various ranges in the national pay framework do not automatically translate into the same level of uplift to all individual teachers' salaries in payment. Pay decisions for teachers (including those currently paid at the maximum of their pay range) should be made locally in line with the school's pay policy and related to an annual appraisal of performance, subject to all being paid between the minimum and maximum of their pay range. This allows school leaders and governing bodies to set pay policies that enable them to make differentiated pay awards, when justified by performance or local circumstances, and which allow them to make best use of their budgets. Pay policies should also be designed to reward good teachers, who should continue to expect to reach the maximum of the main pay range in around five years, with exceptional teachers progressing faster.
- 5.28 We have weighed the competing arguments very carefully. Overall, we believe that the extent of the pressures on teacher recruitment and retention is too significant to defer taking any action for another year. A first step needs to be taken now. But we consider that it is necessary to be cautious in the context of restricted school budgets and economic uncertainty that makes it difficult to predict how the graduate labour market will change.

- 5.29 We have therefore considered the options in relation to targeting the specific pay ranges within the national pay framework at which recruitment and retention pressures are most acute¹². Teaching has to be a career option that attracts high quality graduates, particularly as graduate opportunities are increasing and demographic changes make it likely that more teachers will need to be recruited from a smaller pool of graduates. We are also concerned about the declining retention rates for teachers with less than five years' service. Both of these factors point towards targeting an uplift at the main pay range (MPR). We believe a greater than 1% uplift to the minimum and maximum of this range would be a step towards making starting pay and progression expectations in the early years of a teaching career more competitive in comparison to other graduate professions. We see this as the priority.
- 5.30 While we concluded the priority this year to be recruitment and retention of early career teachers, it is also important to retain good teachers who have progressed to the upper pay range (UPR) and provide incentives to teachers who have leadership responsibilities. There are concerning signs about the retention of more experienced teachers that we would not want to make worse. The evidence therefore also supports a 1% increase this year to the minima and maxima of the UPR and the leadership group pay range. We also consider it important that allowances continue to provide proportionate additional reward for teachers who take on additional responsibilities.

Our recommendations

- 5.31 **We consider that the state of teacher recruitment and retention requires action this year to begin to make teachers' earnings more competitive. The priority is to support recruitment and retention of teachers in the early stages of their career. For September 2017, we recommend:**
- **A 2% uplift to the minimum and maximum of the MPR;**
 - **A 1% uplift to the minima and maxima of the UPR, the unqualified teacher pay range and the leading practitioner pay range;**
 - **A 1% uplift to the minima and maxima of the leadership group pay range and head teacher group pay ranges; and,**
 - **A 1% uplift to the minima and maxima of the Teaching and Learning Responsibility (TLR) and Special Educational Needs (SEN) allowance ranges.**
- 5.32 Future economic uncertainty means that it is difficult to make confident predictions about the labour market in the future. However, we consider it likely that further uplifts of more than 1% will be required to elements of the pay framework in the coming years to continue to enhance the status of the teaching profession and make pay more competitive for teachers at all stages of their careers. The Department and other consultees should therefore continue to help school leaders and governing bodies in the effective management of pay within their budgets.
- 5.33 As we stated above, the Secretary of State asked us in her remit letter to consider adjustments to the pay framework "within the 1% limit for public sector workers." Under the current system of pay and conditions, the overall costs will depend on the decisions made in individual schools and will need to be implemented within the funding that the Government makes available. The identifiable cost of our recommendations is that

¹² In our consideration, we have noted research undertaken by the Office of Manpower Economics about targeted pay increases in the public sector: Office of Manpower Economics (2016) *Targeted Pay Increases in the Public Sector: Theory and Practice* – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/570833/OME_targeting_paper_Nov_2016_FINAL_FOR_PUBLICATION_211116.pdf

associated with increasing the minima of pay and allowances ranges. We estimate this to be between £63 million and £81 million, equivalent to between 0.25% and 0.33% of the teachers' pay bill across publicly funded schools in England and Wales.

CHAPTER 6

Looking ahead

- 6.1 Following our conclusions and recommendations on our current remit, this chapter sets out the STRB's observations on broader matters relating to teachers' pay and conditions. It also presents our views on a number of issues that are likely to be relevant to the Review Body's considerations in the coming years.
- 6.2 Following the enactment of the Wales Act 2017, it is expected that responsibilities for the pay and conditions of teachers in Wales will be transferred to the Welsh Government from September 2018. It has not yet been decided whether the STRB will be involved in advising on teachers' pay and conditions in Wales after devolution.

Local pay policies

- 6.3 As we have argued earlier in this report, schools need to develop pay policies that allow them to manage the continued recruitment and retention of good teachers in a competitive graduate labour market and constrained financial environment. The autonomy on pay matters introduced in recent reforms should be used by school leaders and governors to address their particular local needs. This can include establishing pay policies that enable differential awards related to performance and using pay flexibilities to address local recruitment and retention pressures. We were therefore encouraged to hear that the Department had started to include material on setting pay policies and using pay flexibilities in training for school leaders. While we welcome this, the evidence we heard this year suggests that there is more that needs to be done to effect the necessary cultural change. **The Department should provide on-going support to schools on how to maintain an effective teaching workforce by prioritising the recruitment and retention of teachers among the other demands on their budgets and by using pay flexibilities confidently and effectively.**

Equalities implications of the teachers' pay system

- 6.4 As we noted in Chapter 2, some of our consultees asserted that, under the system of pay progression related to an annual appraisal of performance for all teachers, some groups of teachers with protected characteristics¹ were less likely to receive pay progression. While we have received only limited evidence so far to suggest that the pay system is being applied in a discriminatory manner, we nevertheless consider this to be a matter of concern. We asked the Secretary of State and representatives from NEOST and the NGA about these matters in oral representations; all told us that they had seen no evidence that school-level pay progression decisions were resulting in discriminatory outcomes. However, it is not clear that adequate system-wide mechanisms are in place to monitor decisions and to provide assurance that discriminatory practice is not occurring in some schools. **The Department should work with local authorities and school governing bodies to monitor the application of local pay policies to ensure that they do not result in discriminatory outcomes.**

Bursaries and financial incentives

- 6.5 A number of consultees raised concerns about the efficacy of bursaries and financial incentives. Several emphasised that there was no guarantee that bursary recipients would go on to teach after completing their training. We also note that these incentives

¹ As defined in the Equality Act 2010.

account for a substantial amount of public expenditure, with the NAO reporting that the Department planned to spend £167 million on bursaries in 2015-16 and 2016-17²; our analysis indicates that this is equivalent to approximately 0.7% of the total teacher pay bill for publicly funded schools in England in 2016/17. **We welcome the fact that the Secretary of State told us that her Department would be assessing the evidence on the impact of bursaries and financial incentives to make sure that these were the most effective mechanisms for supporting the recruitment and retention of high quality graduates to teach in shortage subjects.**

Initial Teacher Training (ITT)

- 6.6 Some of our consultees argued that an increasingly complex and fragmented range of routes into ITT may be deterring some applicants. Officials from the National College of Teaching and Leadership (NCTL) told us about reforms to the national ITT arrangements, which included new systems of allocating places taking greater account of local factors. We also heard from the Department that it would be reviewing the range of routes into ITT. **We support this, as an effective system of ITT provision will be increasingly important to support teacher recruitment in a competitive graduate labour market.**

Teacher workload and accountability

- 6.7 Teacher workload and accountability clearly have a significant impact on morale and the attractiveness of the profession. There was consensus among our consultees that these are the most significant factors affecting teacher retention. We note that some consultees responded positively to work that the Department had undertaken in recent years to address these pressures on teachers, and there is scope to build on this. **The Department should continue its efforts to reduce unnecessary workload on teachers and make sure that accountability regimes are proportionate.**

Evidence on the teaching workforce

- 6.8 It is important that the Review Body has a strong evidence base on the teaching workforce. The Department told us that it is undertaking work that will expand and improve the quantity and quality of data that it is able to provide to us about teachers. This includes concluding its evaluation of the impact of pay reforms and gathering better management information about the teaching workforce – for example, measures of teacher vacancies in schools. While we welcome these steps, we would reiterate our disappointment that we were not able to consider the findings of its evaluation of the pay system this year and emphasise the need for timely and robust evidence to support our analyses. **The Department should expand and improve its evidence base in relation to the teaching workforce.**

Future remits for the STRB

- 6.9 Our assessment is that there is a growing case for the Department to undertake a review of the national pay and allowance structure for classroom teachers. The pay structure for classroom teachers needs to sustain the recruitment and retention of high quality graduates in a competitive labour market. It should support and motivate teachers throughout their careers, whether they choose to remain in the classroom and focus on pedagogy or move into leadership roles. We question how well the current pay structure matches up to this vision. The current framework, comprising multiple pay and

² National Audit Office (2016) *Training New Teachers*:
<https://www.nao.org.uk/wp-content/uploads/2016/02/Training-new-teachers.pdf>

allowance ranges, is complex and opaque. Consideration should be given to creating a pay structure that provides greater clarity to those considering joining the profession and supports a compelling career path.

- 6.10 We believe that some aspects of the current framework for classroom teachers are not well aligned with these objectives. For example, as progression decisions for all teachers are now related to an annual performance appraisal, a separate upper pay range onto which experienced teachers can apply to move, subject to an assessment of their competence and achievements, seems anomalous. The evidence also suggests there is a lack of common understanding and practice about what a teacher has to demonstrate, or what duties they have to be performing, to be on the upper pay range.
- 6.11 Further consideration could also be given to introducing additional flexibilities to allow schools to better support teacher recruitment and retention. This might include assessing whether further mechanisms can be introduced to reward the contribution of good classroom teachers who have reached the top of their pay ranges.
- 6.12 The Secretary of State told us in her oral representations that one of her priorities was to strengthen teaching as a graduate profession. As part of this, **the Department should review the current national pay and allowance framework for classroom teachers. The STRB would welcome the opportunity to contribute to such a review as part of a future remit.**

APPENDIX A

Remit letter from Secretary of State



Rt Hon Justine Greening MP
Secretary of State

Sanctuary Buildings Great Smith Street Westminster London SW1P 3BT
tel: 0370 000 2288 www.education.gov.uk/help/contactus

Dr Patricia Rice
Chair, School Teachers' Review Body
Office of Manpower Economics
8th floor
Fleetbank House
2-6 Salisbury Square
London EC4Y 8JX

25 October 2016

Dear Patricia,

SCHOOL TEACHERS' REVIEW BODY (STRB) REMIT: MATTERS FOR REPORT

I should first of all like to offer my thanks for the STRB's work over the last year on its 26th report. From 1 September this year schools across England and Wales will have been implementing their new pay policies based on the recommendations of that report.

You will be aware that the Government's policy for public sector pay in 2017-18, as set out in the Chancellor's Summer Budget of 8 July 2015 and reaffirmed in the Autumn Statement and Spending Review 2015, is for awards to be limited to 1%.

I also understand that the previous Chief Secretary to the Treasury wrote to you and all other Pay Review Body Chairs on 13 July 2016 to set out the Government's approach to public sector pay, emphasising the expectation that pay awards should be applied in a targeted manner to support the delivery of public services and to address recruitment and retention pressures. That letter also stated that this may mean that some workers could receive more than 1% while others could receive less, but that there should not be an expectation that every worker will receive a 1% award. You will appreciate that this is much in line with the approach that you adopted in your last report where you made clear that decisions on salary increases for individuals are for schools to make in the light of their pay policies.

I should now like to ask for your recommendations on how to apply the pay award in 2017-18. In accordance with the previous Chief Secretary's letter, you will want to consider how the pay award should be applied and, in doing so, may wish to consider his comments on recruitment and retention issues and the continued need for pay restraint. I intend to submit for your consideration written evidence that there remains a strong case for continued

pay restraint in the public sector. My evidence will provide a detailed account of the teacher labour market based on the latest recruitment and retention data and will contend that the recent pay reforms mean that schools are now best placed to decide how pay awards can be targeted to meet their specific local recruitment and retention needs.

Considerations to which the STRB should have regard

In considering your recommendations you should have regard to the following:

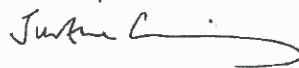
- a) The need to ensure that the proposals reflect the Government's policy that public sector pay awards in 2017-18 are limited to an average of 1% and are focused on addressing recruitment and retention pressures;
- b) The need to ensure that any proposals are affordable at both a national level and within the existing budgets of individual schools;
- c) Evidence of the national state of teacher and school leader supply, including rates of recruitment and retention, vacancy rates and the quality of candidates entering the profession;
- d) Evidence of the wider state of the labour market in England and Wales;
- e) Forecast changes in the pupil population and consequent changes in the level of demand for teachers;
- f) The Government's commitment to increasing autonomy for all head teachers and governing bodies to develop pay arrangements that are suited to the individual circumstances of their schools and to determine teachers' pay within the statutory minima and maxima.

Matters for recommendation

I refer to the STRB the following matters for recommendation:

- What adjustments should be made to the salary and allowance ranges for classroom teachers, unqualified teachers and school leaders to promote recruitment and retention within the 1% limit for pay awards for public sector workers.

I should be grateful if the STRB could aim to provide a report on this matter **by early April 2017**. I look forward to receiving your recommendations on the 2017 pay award.



RT HON JUSTINE GREENING MP

APPENDIX B

Letter from the Chief Secretary to the Treasury to STRB Chair

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HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Dr Patricia Rice
Chair of the STRB
c/o Office of Manpower Economics
Fleetbank House
2-6 Salisbury House
EC4Y 8JX

13th July 2016

Dear Dr. Rice,

PUBLIC SECTOR PAY 2017-18

1 Thank you for your work on the 2016-17 pay round. The Pay Review Bodies continue to play an invaluable role in making independent, evidence-based recommendations on public sector pay awards, as well as continuing to provide high-quality advice on wider reforms to pay and allowances policy. I am extremely grateful to you and your colleagues for your considered work. Over the remainder of the Parliament I look forward to the Pay Review Bodies continuing to advise the Government on how best to achieve pay reforms and deliver fair and sustainable pay awards for public sector workforces

2. As you know the fiscal context remains very challenging following the outcome of the EU referendum vote. However, the Government's public sector pay policy, announced at Summer Budget 2015 and reaffirmed in the Autumn Statement and Spending Review 2015, was intended to enable prudent long-term planning while protecting jobs, and I can confirm that this policy remains in place. We will fund public sector workforces for pay awards of an average of 1 per cent a year, up to 2019/20.

3. As I set out in my letter to you last year, I expect to see targeted pay awards, in order to support the continued delivery of public services, and to address

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recruitment and retention pressures. This may mean that some workers could receive more than 1 per cent whilst others receive less, and there should be no expectation that every worker will receive a 1 per cent pay award. I am aware that this requires you to receive good, evidence-based propositions to consider.

4. Relevant Secretaries of State will write to you shortly with their remit letters, as and where needed. Relevant departments will submit their proposals covering the specific needs of their workforces in their evidence to you in the early autumn. I look forward to your 2017-18 recommendations.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'G Hands'.

GREG HANDS

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APPENDIX C

Conduct of the review

- C1. The Secretary of State for Education, the Rt Hon Justine Greening MP, in her remit letter of 25th October 2016 (reproduced at Appendix A) asked us to consider:

What adjustments should be made to the salary and allowance ranges for classroom teachers, unqualified teachers and school leaders to promote recruitment and retention within the 1% limit for pay awards for public sector workers.

- C2. The Secretary of State asked us to report on these matters by early April 2017. She also noted that, in considering how the award should be applied, we should take account of the previous Chief Secretary to the Treasury's letter of 13th July 2016 to all Review Body Chairs (reproduced at Appendix B). This letter expressed an expectation that pay awards should be applied in a targeted manner to support the delivery of public services and to address recruitment and retention pressures.
- C3. We considered a wide range of evidence, the main points of which are summarised in the body of this report. Below are details of the statutory consultation we undertook and the visits and meetings which informed our understanding of the issues relevant to this remit.

Consultation

- C4. We gave the following organisations the opportunity to make written representations and provide evidence:

Government

Department for Education (DfE)
Welsh Government

Organisations representing teachers

Association of School and College Leaders (ASCL)
Association of Teachers and Lecturers (ATL)
British Association of Teachers of the Deaf (BATOD)
National Association of Head Teachers (NAHT)
NASUWT
National Union of Teachers (NUT)
Undeb Cenedlaethol Athrawon Cymru (UCAC)
Voice

Association of local authorities

National Employers' Organisation for School Teachers (NEOST)

Organisations representing governors

Governors Wales (GW)
National Governors' Association (NGA)

- C5. We also notified the following organisations of the remit:

Association of Directors of Children's Services (ADCS)
Association of Directors of Education in Wales (ADEW)
Association of Professionals in Education and Children's Trusts (Aspect)
Board of Education, General Synod of the Church of England
Catholic Education Services for England and Wales
Education Workforce Council (Wales)
Her Majesty's Inspectorate for Education and Training in Wales (Estyn)

Freedom and Autonomy for Schools – National Association (FASNA)
 Free Churches Education Committee
 Information for School and College Governors (ISCG)
 Methodist Independent Schools Trust
 Office for Standards in Education, Children’s Services and Skills (Ofsted)
 SSAT (The Schools Network) Ltd
 Teach First

- C6. Our secretariat invited responses in writing by 6th December 2016. We asked consultees to share their submissions and provided all with an opportunity to comment on others’ submissions.
- C7. The following consultees made written submissions: ASCL¹, ATL², DfE³, NAHT⁴, NASUWT⁵, NEOST⁶, the NGA⁷, the NUT⁸, UCAC⁹, Voice¹⁰ and the Welsh Government.
- C8. ATL¹¹, NAHT¹², NASUWT¹³, the NUT¹⁴, UCAC¹⁵ and the Welsh Government each provided a supplementary submission commenting on other consultees’ submissions. In addition, six teacher unions (ASCL, ATL, NAHT, the NUT, UCAC and Voice) submitted a joint statement¹⁶.
- C9. The following consultees were invited to make oral representations: ASCL, ATL, DfE, NAHT, NASUWT, NEOST, the NGA, the NUT, UCAC, Voice and the Welsh Government. All these organisations made individual representations at meetings in February 2017.
- C10. Two research reports that were commissioned by the Office of Manpower Economics (OME) were published after we had finished hearing oral representations from our consultees. These reports – by NIESR¹⁷ on the use of agency workers in the public sector and by IFS¹⁸ on the educational attainment of graduate recruits to public sector occupations – both included some consideration of the teaching workforce. We therefore gave our consultees an opportunity to comment on these reports, and received and considered further submissions from ATL, NASUWT, NEOST and the NUT.

¹ ASCL (2016) – <http://www.ascl.org.uk/download.606289EF-366D-40D7-87722E91298942EC.html>

² ATL (2016) – <https://www.atl.org.uk/sites/www.atl.org.uk/files/files/ATL-evidence-to-%20STRB-December-2016.pdf>

³ DfE (2016) – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/575587/strb27evidence_accessible_final.pdf

⁴ NAHT (2016) – <http://www.naht.org.uk/welcome/news-and-media/key-topics/pay-and-conditions/naht-submits-evidence-on-teachers-pay-increases/>

⁵ NASUWT (2016) – <https://www.nasuwt.org.uk/uploads/assets/uploaded/7fff0a62-1f0a-4930-8d36d42f864a2d0a.pdf>

⁶ NEOST (2016) – <http://hr.plpic.co.uk/wp-content/uploads/sites/4/2016/11/NEOST-evidence-to-STRB-051216-FINAL.pdf>

⁷ NGA (2016) – <http://www.nga.org.uk/About-Us/What-we-think/Consultations/2016-consultations/December-2016-Evidence-submitted-to-the-STRB-by-th.aspx>

⁸ NUT (2016) – <https://www.teachers.org.uk/sites/default/files2014/nut-submission-december-2016-final.pdf>

⁹ UCAC (2016) – https://www.ucac.cymru/images/Ymatebion/1612_STRB_CylchGorchwyl27.pdf

¹⁰ Voice (2016) – <http://www.voicetheunion.org.uk/files/pdfs/STRBsubmissionNov2016.pdf>

¹¹ ATL (2017) – <https://www.atl.org.uk/sites/www.atl.org.uk/files/ATL%20further%20evidence%20to%20the%20School%20Teachers%20Review%20Body%20March%202016.pdf>

¹² NAHT (2017) – <http://www.naht.org.uk/welcome/news-and-media/key-topics/pay-and-conditions/naht-submits-evidence-on-teachers-pay-increases/>

¹³ NASUWT (2017) – <https://www.nasuwt.org.uk/uploads/assets/uploaded/f14ea666-572b-435d-83eb48e7fa9f22de.pdf>

¹⁴ NUT (2017) – <https://www.teachers.org.uk/sites/default/files2014/nut-supplementary-submission-to-the-strb-january-2017-final.pdf>

¹⁵ UCAC (2017) – https://www.ucac.cymru/images/Ymatebion/170110_UCAC_FurtherResponse27thRemit.pdf

¹⁶ NAHT (2017) – http://www.naht.org.uk/_resources/assets/attachment/full/0/58785.pdf

¹⁷ National Institute of Economic and Social Research (2017) *Use of Agency Workers in the Public Sector* – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/592131/NIESR_agency_working_report_final.pdf

¹⁸ Institute for Fiscal Studies (2017) *Changing educational attainment of graduate recruits to major public sector occupations* – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/598689/OME_report_Final_020317_RJL.pdf

Visits and meetings

- C11. In total, we held 19 meetings of the Review Body between 23rd September 2016 and 7th April 2017. Four of these meetings were to hear oral representations from consultees.
- C12. In considering this remit, we took account of conversations held with teachers, school leaders and local authority officials during recent visits, including this year to Devon, Oldham, Manchester, Lincolnshire, Sutton and Wales. We visited two primary schools, six secondary schools and one special school. In Manchester, members also had a discussion with Professor David Hall, Head of the Manchester University Institute of Education, and some of his colleagues.
- C13. The Chair, Dr Patricia Rice, had an introductory telephone conversation with Paul Kett in October 2016 following his appointment as Director of Teachers and Teaching, DfE. The Chair and Ken Clark attended in September 2016 a meeting between Review Body Chairs and Economists and HM Treasury officials.
- C14. We also received presentations relevant to the remit, including in October 2016 from Sinead O’Sullivan (in her role as Director of Delivery and Accounting Officer of NCTL), Paul Kett (as Director of Teachers and Teaching at DfE) and Angela McFarlane (Founding Trustee, College of Teaching). We also heard from officials from the National Audit Office and Institute for Fiscal Studies about work that they were conducting in relation to the teaching profession.

APPENDIX D

Current and recommended pay levels

Classroom Teachers' pay levels – England and Wales excluding the London area

| | Current pay range | Recommended September 2017 |
|---------------------------------------|-------------------|-------------------------------|
| Unqualified Teacher Pay Range | £pa | £pa |
| Minimum | 16,461 | 16,626 |
| Maximum | 26,034 | 26,295 |
| Main Pay Range | | |
| Minimum | 22,467 | 22,917 |
| Maximum | 33,160 | 33,824 |
| Upper Pay Range | | |
| Minimum | 35,571 | 35,927 |
| Maximum | 38,250 | 38,633 |
| Leading Practitioner Pay Range | | |
| Minimum | 38,984 | 39,374 |
| Maximum | 59,264 | 59,857 |

Classroom Teachers' pay levels – Fringe area

| | Current pay range | Recommended September 2017 |
|---------------------------------------|-------------------|-------------------------------|
| Unqualified Teacher Pay Range | £pa | £pa |
| Minimum | 17,542 | 17,718 |
| Maximum | 27,112 | 27,384 |
| Main Pay Range | | |
| Minimum | 23,547 | 24,018 |
| Maximum | 34,249 | 34,934 |
| Upper Pay Range | | |
| Minimum | 36,650 | 37,017 |
| Maximum | 39,331 | 39,725 |
| Leading Practitioner Pay Range | | |
| Minimum | 40,057 | 40,458 |
| Maximum | 60,341 | 60,945 |

Classroom Teachers' pay levels – Outer London area

| | Current pay range | Recommended September 2017 |
|---------------------------------------|-------------------|-------------------------------|
| Unqualified Teacher Pay Range | £pa | £pa |
| Minimum | 19,553 | 19,749 |
| Maximum | 29,130 | 29,422 |
| Main Pay Range | | |
| Minimum | 26,139 | 26,662 |
| Maximum | 36,906 | 37,645 |
| Upper Pay Range | | |
| Minimum | 39,127 | 39,519 |
| Maximum | 42,077 | 42,498 |
| Leading Practitioner Pay Range | | |
| Minimum | 42,077 | 42,498 |
| Maximum | 62,361 | 62,985 |

Classroom Teachers' pay levels – Inner London area

| | Current pay range | Recommended September 2017 |
|---------------------------------------|-------------------|-------------------------------|
| Unqualified Teacher Pay Range | £pa | £pa |
| Minimum | 20,701 | 20,909 |
| Maximum | 30,270 | 30,573 |
| Main Pay Range | | |
| Minimum | 28,098 | 28,660 |
| Maximum | 38,241 | 39,006 |
| Upper Pay Range | | |
| Minimum | 43,184 | 43,616 |
| Maximum | 46,829 | 47,298 |
| Leading Practitioner Pay Range | | |
| Minimum | 46,350 | 46,814 |
| Maximum | 66,638 | 67,305 |

Classroom Teachers' allowance levels

| | Current range | Recommended September 2017 |
|----------------------------------------------------------------------------------|---------------|-------------------------------|
| Teaching and Learning Responsibility (TLR) payment 3 (Fixed term) | £pa | £pa |
| Minimum | 523 | 529 |
| Maximum | 2,603 | 2,630 |
| Teaching and Learning Responsibility (TLR) payment 2 | | |
| Minimum | 2,640 | 2,667 |
| Maximum | 6,450 | 6,515 |
| Teaching and Learning Responsibility (TLR) payment 1 | | |
| Minimum | 7,622 | 7,699 |
| Maximum | 12,898 | 13,027 |
| Special Educational Needs Allowance (SEN) | | |
| Minimum | 2,085 | 2,106 |
| Maximum | 4,116 | 4,158 |

Leadership Team pay levels – England and Wales excluding the London area

| Leadership Minimum ¹ | Current salary range | | | Recommended September 2017 | | |
|---------------------------------|----------------------|---|---------|-------------------------------|---|---------|
| | £pa | | | £pa | | |
| | 38,984 | | | 39,374 | | |
| Broad Bands for Head Teachers | | | | | | |
| 1 | 44,102 | – | 58,677 | 44,544 | – | 59,264 |
| 2 | 46,335 | – | 63,147 | 46,799 | – | 63,779 |
| 3 | 49,976 | – | 67,963 | 50,476 | – | 68,643 |
| 4 | 53,712 | – | 73,144 | 54,250 | – | 73,876 |
| 5 | 59,264 | – | 80,671 | 59,857 | – | 81,478 |
| 6 | 63,779 | – | 88,984 | 64,417 | – | 89,874 |
| 7 | 68,643 | – | 98,100 | 69,330 | – | 99,081 |
| 8 | 75,708 | – | 108,283 | 76,466 | – | 109,366 |

Leadership Team pay levels – Fringe area

| Leadership Minimum ¹ | Current salary range | | | Recommended September 2017 | | |
|---------------------------------|----------------------|---|---------|-------------------------------|---|---------|
| | £pa | | | £pa | | |
| | 40,057 | | | 40,458 | | |
| Broad Bands for Head Teachers | | | | | | |
| 1 | 45,181 | – | 59,743 | 45,633 | – | 60,341 |
| 2 | 47,409 | – | 64,221 | 47,884 | – | 64,864 |
| 3 | 51,050 | – | 69,034 | 51,561 | – | 69,725 |
| 4 | 54,790 | – | 74,209 | 55,338 | – | 74,952 |
| 5 | 60,341 | – | 81,742 | 60,945 | – | 82,560 |
| 6 | 64,864 | – | 90,054 | 65,513 | – | 90,955 |
| 7 | 69,725 | – | 99,164 | 70,423 | – | 100,156 |
| 8 | 76,783 | – | 109,354 | 77,551 | – | 110,448 |

¹ Minimum for Deputy and Assistant Head Teachers only.

Leadership Team pay levels – Outer London area

| | Current salary range | | | Recommended September 2017 | | |
|---------------------------------|----------------------|---|---------|-------------------------------|---|---------|
| | £pa | | | £pa | | |
| Leadership Minimum ¹ | 42,077 | | | 42,498 | | |
| Broad Bands for Head Teachers | | | | | | |
| 1 | 47,195 | – | 61,743 | 47,667 | – | 62,361 |
| 2 | 49,429 | – | 66,213 | 49,924 | – | 66,876 |
| 3 | 53,066 | – | 71,025 | 53,597 | – | 71,736 |
| 4 | 56,801 | – | 76,205 | 57,370 | – | 76,968 |
| 5 | 62,361 | – | 83,738 | 62,985 | – | 84,576 |
| 6 | 66,876 | – | 92,046 | 67,545 | – | 92,967 |
| 7 | 71,736 | – | 101,161 | 72,454 | – | 102,173 |
| 8 | 78,802 | – | 111,346 | 79,591 | – | 112,460 |

Leadership Team pay levels – Inner London area

| | Current salary range | | | Recommended September 2017 | | |
|---------------------------------|----------------------|---|---------|-------------------------------|---|---------|
| | £pa | | | £pa | | |
| Leadership Minimum ¹ | 46,350 | | | 46,814 | | |
| Broad Bands for Head Teachers | | | | | | |
| 1 | 51,476 | – | 65,978 | 51,991 | – | 66,638 |
| 2 | 53,709 | – | 70,448 | 54,247 | – | 71,153 |
| 3 | 57,344 | – | 75,264 | 57,918 | – | 76,017 |
| 4 | 61,084 | – | 80,439 | 61,695 | – | 81,244 |
| 5 | 66,638 | – | 87,973 | 67,305 | – | 88,853 |
| 6 | 71,153 | – | 96,284 | 71,865 | – | 97,247 |
| 7 | 76,017 | – | 105,397 | 76,778 | – | 106,451 |
| 8 | 83,079 | – | 115,582 | 83,910 | – | 116,738 |

¹ Minimum for Deputy and Assistant Head Teachers only.

