

Support performance agreement: from 20.3% to 19%

Introduction

The performance agreements the University of Twente (UT) concluded with the Minister of Education, Culture and Science in November of 2012 included a KPI on the size and scope of the UT generic support services. This memorandum briefly describes the present state of affairs on the realization of this aspect of the performance agreement, as well as the method by which the UT will monitor the realization of this target.

Berenschot: where are we at?

In 2011, management consulting firm Berenschot benchmarked the operating expenses of Dutch universities. In its report, Berenschot differentiated between 'generic support' and 'education & research support'. Please refer to Annex 1 for an explanation of the Berenschot definitions as well as other common definitions. The performance agreement relates to the generic operating expenses, which are to be reduced from 20.3% at the end of 2010 to less than 19% at the end of 2015. The table below displays the development of the operating expenses from the baseline measurement to the expected 31-12-2015 figure via the current state of affairs.

Operating expenses by staff complement	3TU	31-12-2010		01-12-2013		31-12-2015 forecast	
1. EXECUTIVE BOARD, LINE MANAGEMENT AND MANAGEMENT SUPPORT	5.7%	165.81	5.4%	164.82	5.5%	156.9	5.3%
2. STAFFING AND ORGANIZATION	1.5%	52.66	1.7%	45.16	1.5%	40.4	1.4%
3. FINANCE AND CONTROL	2.9%	125.74	4.1	114.25	3.8%	103.8	3.5%
4. COMPUTERIZATION AND AUTOMATION	1.8%	65.73	2.1%	61.55	2.0%	61.4	2.1%
5. MARKETING AND COMMUNICATION	1.9%	67.45	2.2%	62.58	2.1%	62.3	2.1%
6. QUALITY ASSURANCE	0.1%	3.21	0.1%	3.95	0.1%	3.9	0.1%
7. LEGAL AFFAIRS	0.1%	1.84	0.1%	3.37	0.1%	3.4	0.1%
8. FACILITIES	4.5%	146.61	4.7%	136.35	4.5%	134.2	4.5%
Total generic operating expenses (1-8)	18.5%	629.04	20.3%	592.02	19.6%	566.2	19.0%
9. EDUCATIONAL AND RESEARCH SUPPORT	11.3%	412.8	13.3%	383.98	12.7%	383.5	12.9%
Total generic operating expenses + E&R support	29.8%	1041.84	33.7%	976.00	32.4%	949.7	31.8%
WP		1871.78	60.5%	1879.10	62.4%	1879.1	63.0%
0. Primary process OBP		182.43	5.9%	157.96	5.2%	154.8	5.2%
Primary process complement	70.2%	2054.21	66.3%	2037.06	67.6%	2033.9	68.2%
Total staff complement	100.0%	3096.05	100.0%	3013.06	100.0%	2983.6	100.0%

The table shows that operating expenses have been reduced from their late 2010 percentage to 19.6% on 1 December 2013. It is also apparent that administrative and support staffing level (OBP) and scientific staffing level (WP) developments need to be monitored closely, as reaching the defined targets does not automatically entail complying with the performance agreement. The method of monitoring is described further below.

How to further realize the target?

Realizing the necessary and desired primary process services at the highest possible quality and at the lowest possible cost is of the essence. The last decade saw the UT provide constant attention to these aspects and several actions taken to safeguard the balance:

- 2005: '**Efficient Modern Operational Management**' (EMB) : Establishment of service centres and a total reduction of support services costs amounting to €4.5 million.
- 2009: '**Berger**' **Committee**: Cost reduction amounting to €4.7 million on central HR budgets, Campus units, centralization/professionalization of the Procurement department, etc.

Implementation of service department reviews to assess the quality and efficiency of services.

- **Communications reorganization (2010):** Using more focus to execute communication and recruitment tasks more specifically will lead to savings amounting to €1 million by the end of 2014.
- **2013: RoUTe'14+:** Generic €3 million target with respect to support positions..
- **2013-2017:** Service targets currently being worked on (ICT, Library, etc.) expected to result in €1.5 million worth of cost savings.

In addition to these specific actions, a selective OBP recruitment freeze has been in place for the past few years.

In addition to taking the actions referred to above, fulfilling the performance agreement also entails an FTE reduction target for specific UT support columns. Attaining all these targets would, in principle, mean fulfilling the performance agreement.

The table below provides an overview of the development of the reduction of FTEs per column*.

	Berenschot 2010	present day 01-12-2013	2015 forecast	% of target	FTEs of target	realized	yet to be realized
Secretariats	172.5	149.0	137.0	20%	34.5	23.5	1.0
HR column	72.0	71.3	62.9	10%	8.0	0.7	7.3
Finance column	119.7	106.4	95.7	20%	24.0	13.3	10.7
Internationalization column	22.2	18.3	17.9	10%	2.0	3.9	-

**Note: The figures listed here deviate slightly from the benchmark figures used by Berenschot, the reason being that Berenschot lists certain staff categories under different columns than the UT does. For instance, Berenschot lists salary administration staff under the F column, while this same group of staff is in within the HR purview at the UT.*

For all OBP positions, natural attrition and the phasing out of temporary employment agreements are optimally used. Every change is considered a moment to reassess job positions or the spread of tasks over specific job positions. We expect to reach our targets for every column.

More specifically, the following actions have or will be taken:

Secretarial staff: Target 34 FTEs, realized 23 FTEs

- During talks with deans, it was indicated that a 'secretary FTE size in relation to the total staffing level' standard should be established.
We intend to impose a standard of approx. 4% secretary staff in relation to the total staff complement (present size for the entire UT approx. 5.2%).
- We will assess whether the current distribution of secretarial staff over the faculties and institutes on the one hand and over the Executive Board and the service department on the other (presently approx. 75%:25%) needs to be adjusted.
- We will also investigate the implementation of secretarial clusters per faculty and for the services as a whole.
- The secretary and one yet to be appointed dean will supervise the implementation of these measures.

Human Resource staff: target 8 FTEs, realized 0.7 FTEs

- Quite a few HR cutbacks have already been implemented. However, at the same time, temporary staff have been recruited for various reasons (maternity leave, sickness absence and several projects). This staff are currently being phased out. The FTEs still to be cut have been identified and planned in. The planned cutbacks will be made in the following staff complements:
 - Policy Department: The intention is to cut 1.6 FTEs in the Diversity and Organizational Consultancy policy domains. The addition of the latter domain fits in with the desired

development of the HR consultant position profile into one of acting as organizational change supervisor or co-supervisor and consultant.

- Staff administration: Focus on the lasting and constant improvement of administrative HR processes. Uniformity, easier access to management information and self-servicing of processes make up the main points of attention in this. Savings: 3.5 FTEs.
- Occupational Health & Environment: focus and capacity review. The target is to become a professional and modern organization able to at the very least warrant and maintain compliance with the minimum statutory requirements. Savings: 2 FTEs.
- HR Consultancy: Standard established for HR consultants (1 FTE per 250-300 staff members) and HR assistants (1 FTE per 350-400 staff members).

Financial staff: target 24 FTEs, realized 13.3 FTEs

- All F column departments have been reviewed. For most of the central financial departments, qualitative and quantitative staffing levels have reached the desired size through natural attrition.
- Operational Audit (department of General Affairs): The OA department will be reorganized in early 2014. The OA will, in conformity with the decision made by the Supervisory Board and the Executive Board, focus on financial audits. This implies a cutback of 4 FTEs, 2 by natural attrition and 2 as a consequence of the reorganization.
- Accounting House (department of Financial and Economic Affairs): Accounting House will be reorganized in early 2014. The ongoing digitization of the department has led to a shift in the tasks it performs. The reorganization will lead to cutbacks of some 4 FTEs.
- Whether - and if so, how many - positions are to be abolished in the faculties' financial clusters and whether this can be intercepted by way of natural attrition is still under investigation.
- The further development of the faculty project administrations' organization will be completed in the first half of 2014, leading not so much to a reduction in FTEs as to quality improvements.

Internationalization staff: target 2-3 FTEs, realized 2 FTEs

The internationalization column was reorganized in 2013. This had led to a cutback in tasks resulting in a total reduction of approx. 2 FTEs. Efficiency and an increase in service quality have been achieved mainly by streamlining processes.

Relation to the strategic process

While we expected in early 2013 that the discussion about governance going on at the time might help reduce support staff, our present view is that our main task is to ensure support staff are organized and equipped in such a fashion as to provide optimum support even with a leaner strategic focus. An improved focus on internationalization and digitization will have consequences for the organization of support staff and the knowledge and skills required of them. Our 2014 challenge in this connection is to obtain a clear picture on what will happen and is involved, and to act on this within the boundaries of the performance agreement.

Planning and Control (P&C) cycle monitoring

Prior to concluding the performance agreements with the Minister, the UT decided to reduce the number of support staff. The Executive Board in this context decided that the WP:OBP ratio may not exceed 60:40 for the entirety of the UT and 80:20 for the individual faculties (76:24 for the Faculty of Science and Technology). So as to monitor these ratios, management reports, which are discussed during the Spring and Autumn Meetings, are submitted each quarter and more often if so requested. The Berenschot definition will only be used to monitor compliance with the performance agreement with the Ministry and for reasons of providing information on the administrative level.

The expected WP and OBP staffing levels are periodically calculated on the basis of scenario analyses, which will help provide an estimate of whether and the extent to which we will be able to meet the conditions of the performance agreement. The scenario analyses will be used to assess whether the finance, HR, internationalization and secretarial staff cutback measures presently implemented will suffice to meet the target. We once more emphasize that we will need to reassess, when further elaborating the strategic process, whether the current organization and deployment of support staff is and will continue to be suitable.

Annex 1: Definitions, benchmark:

'Support' is taken to mean: the collective of job positions for the provision of primary process control and support. All organizations have *generic operating expenses*, which include, among other things, the costs of management and the costs of staff and financial administration and policy. In addition, educational institutions feature job positions that are part of *Education and Research Support (O&O)*, including departmental and lab technicians, Student Administration staff, student psychologists and knowledge development/contract management staff.

Within the UT there are currently two definitions in use which are applied in benchmarks:

1. WP:OBP ratio, set to be 60:40 for the entirety of the UT and 80:20 for the individual faculties (76:24 for the Faculty of Science and Technology)
2. Generic operating expenses, as defined by Berenschot, with a 2015 target value of 19%.

The UT uses various overviews listing the WP:OBP ratio and the generic overhead expenses percentage. The following sections detail the advantages, disadvantages and points of attention.

Re 1 WP:OBP ratio

In determining the WP:OBP ratio, the definitions as used by the Association of Universities in the Netherlands (VSNU) to calculate its University Staff Information (WOPI) figures are used.

WP: All UT staff whose respective jobs are classified under the Education and Research job family (01) of the university job classification system (UFO).

OBP: All UT staff not belonging to the WP category. The count excludes special groups like interns, stand-by workers and UTflex workers.

This definition does not distinguish between generic and O&O support.

As of 1-12-2013, the WP:OBP ratio at the UT is as follows:

BEH	WP	OBP
CTW	83.4%	16.6%
EWI	79.1%	20.9%
GW	81.6%	18.4%
ITC	66.8%	33.2%
MB	76.4%	23.6%
TNW	73.6%	26.4%
Total UT	58.5%	41.5%

*1)

* 1) Faculty of Geo-Information Science and Earth Observation (ITC): Contrary to the WOPI definition, PhD students have 'student' status. When this distinction is taken into account, ITC meets the standard.

As of 31-12-2013, the WP:OBP ratio of the entire UT was 59.8:40.2. Mid 2013, meeting the 60:40 ratio became a difficult task due to an increased outflow of graduated PhD students and researchers. This can be attributed to the phasing out of Economic Structure Enhancing Fund subsidies, among other things.

The same measurement is used in comparing the country's universities by WOPI figures, a comparison which is annually made available to and by the VSNU. The latest report has 31-12-2012 as reference date. The overview below shows the OBP percentage for all Dutch universities:

31-12-2012 Dutch universities total											31-12-2012	31-12-2011
	Prof.	Senior Lect.	Lect.	Other Education WP	Other Research WP	Other WP	PhD Cand.	Total WP	OBP	Total	% OBP	% OBP
LEI	227	120	350	165	283	2	653	1,800	1,419	3,219	44.1%	44.7%
UU	274	227	731	147	427	55	877	2,740	2,171	4,911	44.2%	44.4%
RUG	260	195	352	228	329	6	690	2,059	1,575	3,634	43.3%	44.3%
EUR	128	168	276	117	138	5	341	1,172	824	1,997	41.3%	41.4%
UM	144	171	306	189	299	4	726	1,837	1,390	3,227	43.1%	42.7%
UVA	265	223	469	429	351	11	735	2,483	1,772	4,255	41.6%	41.8%
VU	246	199	346	279	440	11	646	2,167	1,488	3,655	40.7%	42.6%
RU	221	118	311	198	378	1	552	1,779	1,459	3,238	45.1%	47.3%
TiU	177	98	183	90	88	4	287	927	675	1,602	42.1%	41.2%
TUD	220	233	427	170	441	54	948	2,492	1,856	4,348	42.7%	42.1%
TUE	140	113	252	57	221	214	775	1,772	995	2,766	36.0%	35.5%
UT	149	140	281	103	289	13	706	1,681	1,130	2,812	40.2%	40.4%
WU	101	147	381	51	289		727	1,596	1,039	2,635	39.4%	40.9%
OU	33	37	110	56	11	1	48	295	307	602	51.0%	51.2%
Total	2,584	2,191	4,675	2,278	3,982	381	8,710	24,801	18,101	42,902	42.2%	42.6%

Source: WOPI 2012. Reference date: 31-12-2012. Does not include student assistants

Advantages of using the WOPI figures as benchmark: uniform system and counting method for all Dutch universities. Information can be quickly retrieved and updated versions can be quickly generated internally. The information is clear to everyone.

Disadvantages: When presented as a benchmark also listing all other universities, the WOPI figures are quickly outdated (compiled once per annum, on 31-12). The figures should be treated with caution, as they do not, for instance, provide any information on outsourcing of services or the number of hired staff.

Conclusion on UT score: Average operating expenses over all Dutch universities amount to 42.2%. Scoring 40.2%, the UT is doing very well and is second only to the Eindhoven University of Technology (TUE) figure of 36%. However, university-specific circumstances may explain differences in the figures. For instance, contact with TUE representatives made it clear that they listed 200 FTEs worth of PDEng Trainees (TOIO) under its WP staff complement. This staff category does not yet exist at the UT (at least to this extent). When not including the TOIOs in the TUE figure, its operating expenses come to 39%. A similar university-specific circumstance can be identified for the UT as well. At the Faculty of Geo-Information Science and Earth Observation (ITC), for instance, PhD candidates not employed with the UT represent a total of 110 FTEs. If we were to add this figure to the WP complement, operating expenses would amount to 39% for the UT as well.

Re 2 'Berenschot':

In 2011, management consulting firm Berenschot benchmarked the operating expenses of Dutch universities. The Berenschot definition of 'operating expenses' does not correspond with the regular UFO classifications and the WOPI definitions.

'Operating expenses' are divided into 'generic operating expenses' and 'education & research support'. Certain OBP positions can be classified partly as primary process and Education & Research Support positions, while certain WP positions (deans, % department chairs) are classified as generic support positions.

For the purposes of coming to this benchmark, the UT classified all staff in conformity with the Berenschot categories.

As with the WOPI definition, the increased outflow in 2013 of graduated PhD students and researchers is responsible for the stagnation in cutting down on generic operating expenses.

Advantages of using the Berenschot figures: Berenschot provides a different cross-section of the staffing level, distinguishing by job domain.

Disadvantages: Recent consultation with the other universities and the VSNU has made it clear that the UT is the only university registering and updating its classifications in the HR system at the level of the individual staff member in accordance with the Berenschot classification.

In addition, the universities have used different approaches in categorizing OBP positions as primary process positions.

Annex: 2

Operating expenses of European universities

Especially from a primary process point of view it is quite often indicated that the UT operating expenses at a level of 40% are too high compared to universities abroad (especially the ones mentioned above). The argument is that leading universities have operating expense percentages as low as 30% or even 20%. Website, annual account and personal contact survey results would at first impression corroborate this conclusion, as shown in the table below.

Sources: Jahresberichten, websites, etc.															
Category	Einschde		Lausanne		Lausanne		Zürich		Aachen		Louvain		Ghent		Hamburg
	UT		EPFL		UNIL		ETH		RWTH		KUL		GU		TUHH
	2013	%	2012	%	2012	%	2012	%	2011	%	2012	%	2012	%	2012
Prof., Senior Lect., (Assistenz-)professoren, professeurs	284.2		343.6		1,931.9		445.4		392.0		4,644.8		6,037.0		
Other WP, Wissenschaftliche Mitarbeiter, maître d'enseignement, assistents, collaborateurs scientific	1,375.1		3,146.3				4,740.0		1,049.0		<i>incl.</i>		<i>incl.</i>		
2 nd + 3 rd degree PhD candidates, Drittmittel/personal	<i>incl.</i>								2,710.0		<i>incl.</i>		<i>incl.</i>		
Total WP	1,659.3	59.6%	3,489.9	70.6%	1,931.9	68.7%	5,185.4	80.5%	4,151.0	69.1%	4,644.8	62.6%	6,037.0	70.0%	68.0%
OBP, Nicht Wissenschaftliches personal, collaborateurs techniques/administratifs	1,125.3	40.4%	1,455.8	29.4%	878.8	31.3%	1,258.0	19.5%	1,853.0	30.9%	2,779.8	37.4%	2,585.0	30.0%	32.0%
Total complement in FTEs	2,784.6	100.0%	4,945.7	100.0%	2,810.7	100.0%	6,443.4	100.0%	6,004.0	100.0%	7,424.6	100.0%	8,622.0	100.0%	100.0%

However, these results need to be treated with some caution:

- Job position classifications are often different from the Dutch classification systems.
- Little detail is provided about the survey data. For example: do the figures include only directly employed staff or third-party staff as well?
- No figures are provided about the number of hired staff and/or outsourcing of services.
- The classifying of OBP staff in this quick survey is likely to have significant consequences to the results. Collaborateurs scientific have been classified as WP staff, for instance, while collaborateurs techniques are listed as OBP staff.

A striking aspect is the size of the universities surveyed. By way of comparison: the largest Dutch university, Utrecht University, employs about 2,800 FTEs worth of WP staff, while this number rises to some 5,200 FTEs for the ETH-Zürich. Operating expenses will not increase in proportion to an increase in WP FTEs, meaning larger universities are likely to be able to work more efficiently.

In addition, Dutch universities are far more autonomous than, for instance, the German ones. Ownership, management and housing maintenance, for example, are often the province of the relevant federal state (differs per university/state). What's more, differences in legislation may also lead to differences in operating expenses.

We also find that for approx. 150 universities in the UK surveyed, the WP:OBP ratio can be anywhere between approx. 20% and well over 50%, the average being 34.8%.

If we truly desire to find out why operating expenses in neighbouring countries are lower, we will need to conduct a more in-depth investigation, up to the individual process level, at one or a small number of universities.