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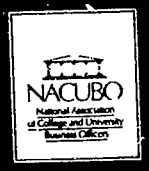
ABSTRACT

This book presents human resources issues that will affect the financial management of colleges and universities as they move into the 21st century. It examines how business managers and human resources managers must balance human resources management policies and practices against the financial demands on the institution. It discusses the importance of organizational culture to the success of a college or university and to the successful management of human resources concerns. Part 1, Preparing for a New Era, views human resources management in the context of financial stability, organizational change, the need for leadership, and a diverse workforce. Part 2, Work Issues, focuses on issues affecting individual employees and the organization's ability to recruit, motivate, retain, evaluate, and realize the most that it can from the skills, knowledge, and drive of its employees. Part 3 covers compensation issues: salary, health benefits, other benefits, and retirement programs. Part 4, Departmental Issues, discusses factors that shape human resources management, policies, and practices: collective bargaining, information systems, and the changing nature of human resources administration. Contains a bibliography of 88 items. (Each chapter contains references.) (JDD)



PAVING THE WAY FOR THE 21ST CENTURY: THE HUMAN FACTOR IN HIGHER EDUCATION FINANCIAL MANAGEMENT

EDITED BY SIGMUND G. GINSBURG

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Deirdre McDonald Greene, Editor
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PREFACE

A college or university's human resources is its most important asset: a thorough understanding of the relevance of human resources to the financial management of an institution is critical to the performance of a financial or business officer. This book presents human resources issues that will affect the financial management of colleges and universities as we move into the 21st century.

For many years I have dealt with human resources management issues as a practitioner, teacher, writer, and as a business officer. This book seeks to fill an important gap in meeting the critical need for more information, discussion, planning, and action in regard to human resources management issues and concerns at colleges and universities.

I greatly appreciate the professionalism, skill, and knowledge demonstrated by Deirdre McDonald Greene, project director and editor, and her significant contributions to this book. I am also grateful to the National Association of College and University Business Officers (NACUBO) and to Anna Marie Cirino for supporting my book proposal, and to my secretary, Phyllis Christopher, for her administrative and typing assistance.

I also appreciate the comments of the reviewers: Chip Goldsberry, Purdue University; John A. Heidler, University of Florida; Marie McDemmond, Florida Atlantic University; Bob Willits, University of Florida; John A. Osborne, The University of Tulsa; and Mary Barker, NACUBO.

I very much enjoyed working with the contributors to this volume. Their great enthusiasm for the project and their knowledge and ideas made this a most challenging and rewarding undertaking.

This book discusses the importance of organizational culture to the success of a college or university and to the successful management of human resources concerns. I am grateful to Barnard College under the wise leadership of President Ellen V. Futter and its board of trustees for providing

a culture that seeks to place appropriate emphasis on the needs and concerns of the members of the college community. It is this kind of culture and the support of these people, as well as the support of my colleagues on the President's Council, in finance and administration, and throughout the college—faculty, administrators, and staff—that encourage me in my thinking about and practice of human resources management.

This book points out a need for balance between one's work life and one's nonwork life. I am indebted, beyond words, for the meaning provided to and in my life by my wife and children, parents, and sister—Judith, Beth, David, Rose, Saul, and Naomi.

Fundamental to a discussion of human resources management issues, and indeed all management issues, is the concept that ethical considerations are vitally important to the successful management of an organization and its employees. Michael Josephson of the Josephson Institution for Professional Ethics put forth guidelines for ethical concerns that should be expressed and acted upon from a college or university's governing board on down to the lowest levels of the organization: honesty, integrity, promise keeping, fairness, caring and concern for others, respect for others, civic duty, pursuit of excellence, personal accountability, and loyalty. Managers of all types, and at all levels, must strive to adhere to these principles.

CONTENTS

INTRODUCTION

Managing a college or university in the 1990s involves traveling down a road that is marked with many potholes and land mines. The ultimate goals of a college or university administrator are to provide a quality learning and living experience for students; to foster an atmosphere conducive to quality teaching, scholarship, and public service for faculty; and to furnish a climate where administrators and staff are able to provide services that support the institution's mission. Managers must help meet these goals in a fiscally responsible, professional manner that conveys a sense of the community. To reach that destination, however, managers must avoid or, more likely, survive the following potholes and land mines.

- Financial stress or crisis caused by:

  fewer traditional-age college students and a student body that contains more part-time, older, disadvantaged, and minority students with needs and concerns different from those of traditional students;

  rapidly increasing financial aid costs and a greater need for tuition discounting because of national economic conditions and competition among institutions;

  greater competition for students, meaning increased spending on recruitment tools and financial aid;

  a multibillion dollar need to refurbish or replace an aging, inadequate, or noncompetitive physical plant and infrastructure;

  an increasing need to upgrade technology and equipment;

increased costs of compliance with governmental regulations and increased scrutiny and audits by various governmental agencies;

increasing operations costs, in addition to all the above, for regular supplies, equipment, and expenses due to the enormous increases in health benefits and "new" benefits costs;

a strain on fund raising due to increased competition among higher education institutions for contributions; and

federal and state reductions in scholarship/fellowship assistance, research assistance, and general funding for higher education.

- Concern by the public and the government about the high cost and quality of and access to higher education.
- Concern about the reputation of higher education due to

  questions about academic and scientific integrity and ethics in research;

  questionable overhead items charged to the federal government;

  allegations by the U.S. Department of Justice of antitrust violations, collusion, and price fixing; and

  scandals concerning athletics.

- Questions about the efficiency and economic practices of colleges and universities—their overall management, priorities, resource allocation, and structure.

These problems cast a pall over the future, making it more difficult for managers to seek changes and new approaches. College and university administrators fight a grim battle to keep their heads above water and keep their institutions from suffering too much. When the economy changes, when respect for American higher education is restored, when private and public funding surpasses not only present but past periods, and when the nation's concern with and support for higher education reach new heights, colleges and universities will face a brighter future.

THE INTEGRATION OF HUMAN RESOURCES MANAGEMENT AND FINANCIAL MANAGEMENT

In the meantime, both business managers and human resources managers must balance the financial and other effects of human resources management policies and practices against the financial demands on the institution. To achieve this balance, managers must consider a number of issues.

As employers, colleges and universities should seek to create a culture that requires a high level of professionalism, performance, and dedication. Just as institutions encourage their students to strive for levels of academic performance that will merit *cum laude*, *magna cum laude*, or *summa cum laude* designations, the same expectations should be held for employees and units at all levels. (Administrators already have high expectations for faculty, although not all faculty are able to meet these standards.) "Good enough" performance is not sufficient to meet the challenges of today and tomorrow– dministrators must raise their standards and expectations. Not all students are able to graduate with honors and not all employees will be able to achieve distinction, but they must have expectations and goals to work towards and be recognized and rewarded when they meet them. Administrators must make it clear that below-standard performance is not acceptable for continued employment—neither is merely adequate performance. In setting and enforcing high standards, managers must provide employees with the policies, training, and support to enable them to reach these goals.

Colleges and universities need to focus on human resources as an ongoing concern. The call to respond to fiscal crisis will bring forth greater action if employees at all levels believe that top management has been demonstrating concern and action over a period of time, not just in an emergency. Just as administrators seek to start financial planning and take action before there is a cash flow crunch, or to undertake facilities improvement before a building crumbles, so too must they implement human resources planning before crisis strikes.

Leadership is critical to success in all areas of college and university administration. Leadership must be exercised by the governing board, the president, vice presidents, directors, chairs, and all levels of supervisors. By precept and practice, the president must be committed to a leadership role. The particular approach and style employed will depend on the individual, the situation, and the history, tradition, and culture of the institution. Leadership style and effectiveness are major factors in employee motivation and in employee and institutional morale.

THE HUMAN FACTOR

Fundamental to any approach to motivation are the high personal and professional standards and integrity of those in all levels of leadership positions, leaders' dedication to the achievement of the goals and aspirations of the institution, and the vision at the highest levels of where the institution should be now, where it will be in the future, and how to get there. Involving others in this vision and striving for excellence in all that the individual, the unit, and the institution does form the bedrock of motivation and improves the quality of performance overall.

The supply of labor is changing dramatically. The new workforce contains more women, minorities, disadvantaged people, disabled people, people not born in the United States, and people from homes where English is not the primary language. The traditional white male supervisor and the organization as a whole must acquire greater understanding of the different needs, perceptions, backgrounds, and cultures of an increasingly diverse workforce. The diversity of the workforce will also be important in terms of how administrators relate to students, alumni, and other constituents as these groups also become more diverse.

Staff at all levels must be provided with an appropriate culture and climate. The culture and climate should reflect the institution's belief in and reward and recognize the employee's commitment to:

- the unit, the division, and the institution;
- high standards of performance and productivity;
- high standards of personal and professional integrity;
- innovation and creativity;
- collegiality, good interpersonal relationships, cooperation, and teamwork;
- equal opportunity, affirmative action, and resolute action against sexual harassment and discrimination of any kind; and
- high standards of quality and service.

Managers throughout the organization should work to ensure that a pleasant and safe work environment exists and that employees' professional and personal satisfaction, growth, development needs, career goals, and aspirations are being met.

Communication—upward, downward, and laterally—is of increasing importance in management. Not enough attention has been paid to the upward communication of the ideas, concerns, and problems of subordinates and colleagues. An employee may have a problem with his or her job, the organization, or interpersonal relations. The ability to talk about the problem with a manager, face-to-face, is crucial to job satisfaction. Supervisors at all levels need to acquire skills in counseling, not only for performance appraisals, but for any of the issues that may be placed before them.

The institution must allow employees to have as much control as possible over their work life—hours, schedule, responsibility, method of doing tasks, authority, resources, and job enrichment and empowerment approaches. Managers should be concerned about stress on the job and its causes and remedies. They should also be concerned about how to deal with employees who believe they have reached the limit of their growth in the organization and those who are burned out.

Administrators need to spend time and money designing and applying performance evaluation techniques in a fair, valid, and effective manner. As frustrating and as unpopular as these efforts may be at times, administrators need to keep at it because of the critical importance and relationship of performance evaluation to salary, motivation, training and development, performance results, and the accomplishment of individual, unit, and organizational goals. The highest echelons of management must support institutionwide use of performance evaluation; unless there is sufficient understanding throughout the organization of the reasons for and value of an approach and how it is applied, the desired results will not be achieved.

Significant attention must be paid to training and development programs at all levels of the institution. Investing in the skills and knowledge of employees and keeping their knowledge and abilities up-to-date will help colleges and universities meet current and new challenges and demands on both employees and the institution itself. Training and development are a wise investment for improving recruitment and retention, as well as morale and motivation.

As administrators seek more effective, efficient, and economical ways of carrying out their functions, they need to make sure that all employees feel involved in decisions and actions that will change their way of working. Employees must be properly trained in new systems and technology. If a significantly higher level of skill is required for a reconfigured job, the position should be properly graded in the job classification system and properly compensated.

Compensation in various forms is vital to employee recruitment, motivation, and retention and to the well-being of the institution as a whole. Adequacy and equity of pay, along with pay-for-performance and pay-for-knowledge and -skills, are front-burner issues. In striving to provide adequate pay for faculty and unionized staff, managers should not "short change" administrative and nonunionized staff; often their pay increases are smaller.

Astronomical increases in health benefits costs will require different approaches that may be painful and will require a focus on the total compensation picture and on trade-offs between salary and employee benefits and among various benefits. Traditionally, benefits programs were tailored for the "typical" employee: a married man with a nonworking wife and two children. But the typical employee no longer fits that description, and benefits plans must take into account differences among employees and the changing nature and costs of benefits. Until a national approach is developed and implemented, employers and employees, particularly in the not-for-profit sector, will have to shoulder the enormous burden of health-care costs. Serious consideration will have to be given to "managed care" and "managed competition" arrangements and to greater cost sharing with employees.

College and university administrators may also have to consider making changes in two benefits that are traditional in higher education: long vacations and generous tuition benefits. Although these benefits may have been given as a substitute for competitive salaries or salary increases, the question now is whether some modifications or trade-offs are necessary in order to meet other needs.

Conversely, administrators may wish to improve some benefits. For example, administrators may want to provide more generous maternity leave, to provide paternity leave without pay, to introduce family leave programs, and to consider allowing the use of sick leave to care for an ill family member. Providing insurance or access to insurance for long-term care is another issue institutions will have to face, given the considerable costs of such care and average life-span expectations.

People do not live on salary and benefits alone; motivation and morale are of critical importance to the happiness of employees. "Psychic income" is an important part of "compensation," and indeed may be more important as a motivating factor than the various aspects of monetary compensation. The respect and regard for individuals as individuals and as employees are important aspects of nonmonetary income. Happy employees believe that their place of employment is a good place to work—that the institution

makes them feel good about themselves, their jobs, their units, and the organization as a whole. Many of the issues cited above are critical in creating a climate and culture conducive to high motivation and morale.

Retirement is perhaps the most important issue facing financial and human resources managers today. Because the working age ceiling has been lifted, new accounting standards require recognition of costs for retirees, and retirees are living longer, administrators must review defined benefit and defined contribution approaches to pensions, as well as issues such as cashability and transferability. For financial reasons, colleges and universities may have to be less generous than in the past when paying health benefits for retirees.

Although the number of faculty covered under collective bargaining agreements has stabilized, there have been increases in the unionization of other employees, particularly in the public sector. The traditional adversarial relationship between managers and unionized employees is changing, and other, more productive and more rewarding approaches must be explored.

Academic institutions must recognize the role technology plays in administration. Administrators must accelerate the implementation of institutionwide information systems and computerized training and development techniques. They must give priority to increasing productivity and efficiency through improved computerization, technology, and systems and use this technology to upgrade their own and their employees' skills and knowledge.

The human resources department plays an important role in the success of a college or university. To understand this role, higher education administrators must have a progressive view of their institution's human resources department.

The human resources department of the 21st century must focus not only on traditional record keeping, but also on analysis, planning, and asking and answering "why" and "what if" questions. Just as higher education has become accustomed to the financial analysis of administrative and academic plans, policies, and programs, so too should the human resources function be analyzed. What is the impact of rightsizing, changes in policy, or trade-offs between salary and benefits on job satisfaction, performance, and productivity? What is the effect of a benefits change, differences in salary increases, or changes in organizational structure on the individual, the unit, and the organization?

Almost every action has an effect on individuals, their perceptions, their sense of self, and their roles in and value to the institution. The more this

ripple effect is anticipated and planned for by the business office in conjunction with the human resources department, the more effective the institution will become. For the human resources department to be effective in planning and in contributing to institutionwide management, it must be fully involved, from the beginning, in major decisions that affect employees.

The human resources management department is important in meeting the needs of the institution as a whole. Institutional characteristics and the abilities, interests, and knowledge of top executives and human resources professionals will all have an impact on the structure and scope of human resources management. Critical to the success of the human resources management function is its real and perceived influence and involvement in significant decisions affecting employees at all levels.

PREPARING FOR THE FUTURE

College and university administrators must place a new emphasis on human resources management. In dealing with the overwhelming nature of financial, physical plant, and other problems, managers have overlooked a concern that is growing in importance: the needs and treatment of the institution's employees. Administrators cannot navigate the potholes lining the road of higher education management without dealing with the challenges of human resources management such as motivation, flexible work alternatives, and training and development. Too often presidents, vice presidents, and trustees say, "We need to pay attention to human resource matters, but financial concerns are of the greatest priority . . . we will get around to personnel issues eventually."

But many human resources issues cannot be put off. Even though cash flow and balance sheets, roofs and wiring, and computers and spectrometers are more tangible and easier to measure, human resources are the foundation of a college or university. To attract and retain a talented and diverse group of outstanding performers at all levels and to create an organizational culture and climate that allows them to maximize their ability and potential to contribute to the fullest degree they are capable of is the fundamental challenge managers face. It is a challenge that has not received the serious attention that it deserves. Too often managers think that expressions of gratitude suffice. But employees at all levels have the right to expect more than mere expressions.

Colleges and universities, with their focus on teaching, research, and community service, tend to forget that they are also employers. Managers

must run an organization in the most effective, efficient, and economical way they can. While the fiscal condition of the higher education industry has brought about increasing concern for better management, college and university managers have not yet begun to focus sharply on the human aspect of improving management and the actions that must be taken to improve human resources management and thereby overall management.

In many colleges and universities, 50 percent or more of the budget is spent on human resources, and this amount is often 70 to 80 percent of the total number of dollars over which decision makers have real discretion. The business office must be concerned about the return on investment in employees—their productivity, their efficiency, their motivation. The chief financial officer must be concerned about human resources management policies, systems, and techniques; about the money spent for and on employees; and about how the human resources department can provide the most productive employees in the most cost-effective manner.

Paving the Way for the 21st Century: The Human Factor in Higher Education Financial Management presents brief discussions of human resources issues that financial managers should be concerned with. The chapters are not meant as in-depth treatments of how to implement specific programs; rather, they are topical discussions meant to inform financial and business officers and other institutional managers of issues that will become more and more important in the tumultuous decade ahead.

The first chapters of *Paving the Way for the 21st Century* set the stage for human resources management issues and concerns in a changing world. Human resources management must be viewed in the context of financial stability, organizational change, the need for leadership, and a diverse workforce. Part II focuses on issues affecting individual employees and the organization's ability to recruit, motivate, retain, evaluate, and realize the most that it can from the skills, knowledge, and drive of its employees. Part III covers compensation issues: salary, health benefits, other benefits, and retirement programs. Because retirement issues are of such great concern as the average life span increases, and because these issues are so complex, a significant portion of this book is dedicated to this subject. Part IV discusses factors that shape human resources management, policies, and practices: collective bargaining, information systems, and the changing nature of human resources administration. Each chapter reflects the perspectives and approaches of its authors, who are human resources practioners and consultants, financial and business officers, and human resources professionals. The combined experience of the authors encompasses all sizes and types of colleges and universities.

Higher education is a labor-intensive industry and it bears the burden of being an extraordinary employer. Colleges and universities must strive to be model employers. Even institutions facing severe financial stress can try to achieve this goal. The higher education industry now fully recognizes the need for carefully planned strategies and action in regard to budgets, endowments, and facilities, as well as the need for investment in financial capital and physical capital. Comparable concern for the importance of human resources and recognition of the need to invest in human capital are necessary to face the challenges of today and tomorrow.

Colleges and universities that are able to provide solutions to the issues and concerns discussed in this book in a creative, fiscally sound, employee-oriented manner will sustain a workforce that is productive, efficient, creative, satisfied, loyal, and stable. These will be the institutions that will best be able to travel the treacherous roads of management leading into the next century.

PART I

Preparing for a New Era

1

HUMAN RESOURCES MANAGEMENT: THE KEY TO FINANCIAL STABILITY

Since the late 1980s, public and independent colleges and universities have found themselves under increasing financial pressure. In the private sector, years of student fee increases out of proportion to cost-of-living increases have resulted in public resistance to pricing strategies. Many colleges and universities have found it necessary to use more revenue from increased fees to support financial aid. This means that a declining percentage of the revenue resulting from higher prices is actually retained by the institution. Facing reduced tax revenues, state governments have reacted by demanding higher student fees while slashing appropriations to support general operations.

As the traditional sources of higher education income have come under strain, colleges and universities have had to set priorities and cut costs in the process commonly known as "retrenchment," or "rightsizing." Actions taken by administrators reveal the priorities and values of the institution. When the values and priorities of management differ from those of employees, morale throughout the institution suffers.

The chief financial officer's primary responsibility is the management of institutional resources. Human resources represent the most significant cost element in the operating statement and the most important asset available to enable the institution to meet its goals and objectives. Successful organizations recognize the need to manage the personnel function constructively. Higher education is a labor-intensive industry, and the quality of a college or university's academic programs is directly related to the talent of its

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employees and how well they perform. Financial officers need to be aware of the value of the institution's human resources and develop strategies to enable the institution to take full advantage of this critical resource.

The key to the financial viability of a college or university lies in the productivity of its workers. People tend to think of productivity in a manufacturing sense, in terms of the production of goods and services. An education institution is different, however. Output is represented by courses taught, degrees granted, and administrative and business functions performed. While enrollment could be increased while keeping staff size the same (thus increasing productivity), most colleges and universities increase productivity by eliminating instruction activities and administrative functions. Employees must be made aware of the constant need to look for ways to perform their duties better. The more efficient employees become, the most cost effective the institution becomes. Efficiency depends upon many factors, such as employees' level of training, morale, flexibility, and entrepreneurial spirit. By controlling costs while enhancing these characteristics, a college or university will become more stable financially.

Because human resources are as vital to a college or university as are its physical resources, morale must be maintained during rightsizing. In the past, growth was assumed to be the inherent goal of higher education—growth was viewed as an indication of success. In contrast, lack of growth was seen as stagnation and retrenchment as failure. Today, managers must convey to their employees the sense that a streamlined staff is a sign of a stronger, more efficient, more competitive organization ready to meet the challenges ahead—not a sign of weakness. From a healthy attitude comes a feeling of security and the capability to deal with a changing and difficult environment.

MANAGING HUMAN RESOURCES IN A FISCALLY REWARDING MANNER

Rightsizing conventionally starts with an analysis of how the organization currently spends its income. In a college or university, human resources costs generally constitute more than 75 percent of costs over which the institution has control. Institutions must meet debt service payments, pay insurance premiums, and cover utilities expenses to continue operating. However, they can reduce staff costs while continuing to operate. Thus, if expenses are to be reduced, cuts often come from personnel-related items. Although two approaches—reducing personnel and reducing expenses by restructuring personnel-related activities—are commonly thought to be the

only options, a third option is available. To put this new option to use, however, financial administrators must understand the role human resources play in institutionwide management.

HUMAN RESOURCES AS AN ASSET

In the United States, managers tend to see salary and other personnel costs as expenses, similar to other costs of doing business, that must be controlled to improve the organization's bottom line. A hallmark of good management is reduced labor costs. Promotions and salary increases are often granted on the basis of favorable, short-term financial results for an office or department.

In other societies, however, employees are seen as a resource in which to make an investment to gain a competitive advantage. The employee-employer relationship is long term. These societies perceive that organizations need workers more than workers need organizations. Efforts are continually made to find ways to benefit both parties.

Inherent in the American employment system is an adversarial sense between managers and workers. This can be seen as desirable, in that it provides for a system of checks and balances. On the other hand, workers are inclined to take steps to protect themselves by forming unions or petitioning the government for protective legislative action. It is assumed that management's interests are the opposite of the worker's. All parties are losers in this process, which results in the destruction of teamwork and morale. In higher education, administrators are often pitted against various employee groups. For example, business officers are often perceived as guarding resources and seeking ways to reduce costs—a perception that is to the disadvantage of both institutional workers and the long-term health of the college or university.

Higher education administrators need to understand that employees are an asset and not simply a cost element. Most dictionaries associate the definition of "asset" with the notion of advantage. Therein lies the link between an institution and its employees. Progressive financial officers recognize that properly managed workers give the institution a significant advantage over other organizations. Making employees feel important and creating an environment in which they are free from burdensome rules and conditions can lead to major improvements in operations. As with any asset, the key to success is investment. By adding to the value of an employee through training and morale building, institutional managers enhance their most important resource. Recognizing the potential of one's employees is the essential first step towards institutional success.

EMPOWERING EMPLOYEES

Employers in both industry and education exhibit a desire to compartmentalize and control employees. Much time and effort goes into the preparation of detailed organization charts that are intended to control responsibility and information flow. While on the surface such charts seem an orderly way to do business, their real effect can be to inhibit creative problem solving. This is further reflected in detailed job descriptions that set out specific duties and functions. The message is that "we know what you should be doing" or "this is what is expected of you—nothing less and nothing more."

The age of specialization has been extended to the workplace, so that employees have become experts in restricted areas, preventing them from seeing the broader picture and discouraging a view of the overall organization. This limits both the individual and the institution and runs counter to the need to empower employees so that they may be free to help the organization meet its mission creatively. An institution's employees are an extraordinary resource to help find ways to reduce costs and allow the institution to become more efficient.

For example, one key to efficiency is motivation. This can be achieved through the development of an incentive program. The first step involves setting an objective. Employees can be advised that the institution is seeking new approaches to reducing costs without sacrificing quality or services. A budget is then established to fund the program. The majority of the budget should be used to provide awards to employees identified as contributors to the effort. Awards should be offered in the form of cash, merchandise, or travel certificates. The balance of the budget should go to introducing and administering the program. The program should be as simple as possible.

The morale of the institution's employees will improve greatly if individuals feel as though they are participating in the management decision-making process. All efforts, whether award winning or not, should be recognized. This type of program encourages employees to take action through empowerment.

ENCOURAGING PRODUCTIVITY

In the past, higher education administrators viewed increased productivity as an undesirable or unnecessary goal. Such an objective was fine for a manufacturing environment but not relevant in one where knowledge is the output. Measurement systems were considered unprofessional or unwarranted. There was resistance to looking at items such as class size, credit hours, faculty workloads, and curriculum size.

The argument against productivity was often based on the perceived inability to gauge quality objectively. Some people believed that efforts to increase output would come at the expense of losses in quality. In the last decade, however, this view has started to change.

Much attention has been devoted to quality management efforts. At the heart of these efforts is the desire to make the customers happy. For example, if the parents of college-aged students are finding it difficult to meet tuition payments, the college or university should offer alternatives to the traditional, once-a-semester, full payment system. In a similar manner, colleges and universities should strive to create a curriculum that is based, in part, on what graduates need to achieve their goals of further education and to meet vocational aspirations.

In quality management programs, the focus of management efforts is on the institution's customers—the students. The institution must find a balance between cost and the quality of its programs. Does the institution offer quality programs at a reasonable price?

Productivity gains are made by meeting institutional needs at a lower cost. This can take the form of eliminating unnecessary work, substituting lower-cost labor-saving devices, or improving work flows. In the business office, there are many examples of efforts such as the direct deposit of student payments to an institutional bank account, the elimination of unnecessary forms, and the introduction of point-of-sale credit cards. Because employees understand the processes best, they are in the best position to make suggestions, develop and implement new procedures, or take actions that increase productivity.

STABILIZING THE FINANCIAL POSITION

College and university administrators must seek ways to stabilize and improve the financial position of their institutions. To do this, they must examine every level of personnel. The output of an educational institution is knowledge, and its most important resource is qualified, learned employees.

The public believes that professors need to spend more time in direct contact with students and less time engaged in research and scholarship—that professors need to become accountable for their time. Faculty members, like other professionals, tend to resist accountability, believing that their work should not be subject to constant monitoring or objective valuation or measurement. Yet management must find a way to introduce accountability, set goals, develop standards, and judge performance against these standards and goals.

INCREASING EFFICIENCY

Americans today feel entitled to a college education. However, the recession of the late 1980s and early 1990s forced college and university administrators to examine their services in a new light. After the post-World War II boom years, colleges and universities were bloated. The recession led to drastic decreases in government spending on higher education. Students now find it more difficult than ever to pay for their education, and administrators have had to figure out how to deliver quality to the many people who expect it while spending less money.

The immediate solutions to these problems were short-term concepts, such as conserving resources, stopping spending, stopping travel, stopping hiring, stopping equipment purchasing, and stopping maintenance. However, the mood that sets in when an organization is undergoing these drastic measures is detrimental to the health of the institution.

PREPARING FOR THE FUTURE

A long-term perspective is necessary to realign economic realities with expectations. The solution to this problem can be found in the concept of rightsizing. Rightsizing encompasses actions such as studying productivity, increased costs, and fewer options; deferring or postponing capital expenditures; freezing new and vacant positions; and eliminating nonessential services. The standards for class size, faculty teaching load, and ratios of part-time to tenured faculty must be redefined. Budget items may be frozen or sequestered. Reduction-in-force plans must become commonplace.

Rightsizing takes many years to accomplish. If done incorrectly in a crisis environment, it can lead to inefficiency, an inability to perform key functions, or a deterioration of fiscal resources, physical facilities, and human resources. If planning, assessment, and evaluation are nonexistent, harmful reductions to programs will occur. Institutional autonomy may be compromised due to quick fixes during the crisis. Little congruence between stated mission and operational activities is likely in a such an environment.

If rightsizing is done correctly, institutions will emerge with renewed emphasis on institutional effectiveness and sense of mission. The college or university should develop and maintain a precise mission with clear goals for which it should be held accountable. Planning strategies and action-oriented approaches with specific objectives involve effective and efficient use of information at all levels of the organization. The goal should be to effect organizational change by providing clearly defined products efficiently and effectively in fulfillment of the institution's stated mission.

STRATEGIES FOR RIGHTSIZING

Reduce personnel. A number of approaches can be taken to reduce staff and improve efficiency, but many have proven to be ineffective or counterproductive. For example, some institutions attempt to reduce staff through attrition, but the impact of attrition on the organization can be detrimental when vacancies occur in highly critical operations, and the employees who remain can be overburdened. For many years, human resources were managed in this mode; the challenge today is retrenchment combined with higher productivity.

Another approach for reducing personnel is a quota system, where staff reduction targets are set by area or function. The number can be determined by formula, such as a percentage of the total employee count, or by a fixed number of positions plus a percentage of the total number of positions. While this is a better system than the attrition method, it does not address the importance of making reductions based on needs driven by institutional mission and priorities. The method is democratic, because all departments share the pain, but it does not tailor reductions to the specific mission and needs of the institution.

Restructure activities. A much more effective means of improving efficiency and reducing costs is to restructure work. However, to accomplish this, administrators must understand how their organization arrived at its current state. Most college activities are sequential in nature: over time, new functions, activities, and courses are added to an existing core. At certain points, more staff are assigned. There is little or no work replacement; few existing functions or activities are challenged and modified or discontinued when new ones are added. This applies to both teaching and nonteaching activities.

A new strategy. Colleges and universities need to adopt new methods of self-examination that are continuous in nature. A practice similar to what is known in the financial world as "zero-base" budgeting is called "essential function review." All activities or outputs of operations are considered—the output, not the staff, is studied. What is done, for whom, and by whom is identified and described for each institutional operation. Once such a study is complete, a determination is made as to the necessity and relative importance of the activities as they relate to the mission or purpose of the institution. Everything should be questioned and challenged. Is it important? Does it support the mission of the institution? What would be the consequences of no longer undertaking such an activity? Should we be doing it? What does it cost? Is it worth it?

A task force consisting of both employees and users of the service is an effective way to conduct such a study. This provides a customer or user focus, which is important in determining relative worth. For example, a cashier's office might cash employee checks—a practice started many years ago. With the expansion of the banking system and the advent of automatic teller machines, the cashier's office may not be needed for that function. Activities deemed nonessential should be identified and labeled for elimination.

Over time, organizations tend to drift away from their original objectives and lose their sense of focus. Rather than concentrating on what they do best, they become engrossed in doing more. In a similar manner, college and universities, which began as educationally driven enterprises, increasingly find themselves involved in matters of a nonacademic nature. Once the process of internal examination is completed and nonessential items are marked for elimination, colleges and universities must reassign the remaining functions.

Employees must clearly understand how the restructuring process works. A number of factors must be considered when reassigning essential duties, such as job performance of current personnel, longevity, and special skills. There must be a conscious effort to break down the sense of ownership that an employee has for a particular function. The overall number of functions for an activity must be reduced, with a resultant reduction in staff and related cost savings.

Essential functions must be matched with and assigned to employees based on certain criteria. Again, it is important that employees understand the process to be used. When workers are assigned new duties, they should participate in training programs to make them qualified to handle their new responsibilities. Continuous training and learning are hallmarks of successful organizations. In addition, for those employees who are not retained, special arrangements must be made through early retirement programs, outplacement services, and retraining.

The need to challenge management is also part of the process. College and university administrations have become layered, which discourages employee involvement, reduces flexibility, slows the achievement of results, adds to cost, and reduces productivity. As layers of authority are added, the person ultimately responsible for a function or activity is further removed from the employee performing it. With multiple layers, a manager can easily lose touch with an operation. For an idea to flow up or down an organization, it must pass through several layers of authority and management. Many once dominant American corporations suffered from too many levels of employees. In their efforts to return to profitability and regain their market

positions, these companies have been eliminating layers of authority. Workers now feel that they are closer to management, and a new sense of mutual respect and improved communication has emerged. College and university financial officers should examine their organizational charts to consider ways in which their operations could be improved by the elimination of unnecessary levels of authority.

When addressing financial challenges, college or university administrators must be conscious of the culture of the higher education workplace. Traditionally, institutions of higher learning have been seen as places where employees do not enjoy high pay levels, but they do benefit from a congenial work atmosphere and are granted unusual job security in what has traditionally been seen as a recession-proof industry.

There is no one best way to undertake an institutional restructuring effort. The elements of a successful effort are an institutional culture that fosters the satisfaction of the needs of employees, as well as those of the college or university; a carefully considered plan that is sensitive to the culture; an effective means of communication; and a method of maintaining employee morale. Human resources are vital when realigning institutional focus and preparing a college or university for the next decade.

2

THE HUMAN RESOURCES IMPLICATIONS OF ORGANIZATIONAL CHANGE

All organizations must undergo change. Although colleges and universities have experienced less change than many other organizations, change does occur. The forces behind organizational changes vary.

A change in the higher echelons of the administration usually implies organizational change. A new president will have his or her own leadership style, meaning that changes will occur down the line. Governing boards often recruit and appoint a leader to supply a specific talent the board believes the institution needs. The new president may be known as a successful fund raiser, a great academic leader, or a pragmatist who can make the institution lean and mean. The president sets the tone for the future of the institution. Faculty and staff are commonly unsettled at the thought of a new leader, anxious to see what effect he or she will have on them.

A change in mission or goals will also bring about organizational change. Such a change could be a shift from a commuter institution to a resident college, a shift from single-sex to coeducational, a shift from a liberal arts emphasis to one on science and technology, a shift from a two-year to a four-year curriculum, a shift from an all-inclusive educational experience to one that specializes in only a few excellent programs. The shift from one mission, emphasis, or goal to another will create uneasiness and uncertainty among employees.

Regardless of the reasons, change affects an institution's precious human resources—faculty and staff. Of all types of change, economic hardship or

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budget restraint has the most dramatic impact on an institution's human resources. Budget-cutting actions such as restricting travel allowances, long distance telephone calls, and purchases; postponing equipment purchases; deferring maintenance and renovation projects; reducing or eliminating programs; or closing campus buildings cause concern among faculty and staff. This concern must be addressed in a forthright and honest manner.

MANAGING SEVERE CHANGE

Faculty and staff must be actively involved in organizational change for it to be implemented successfully. Before such drastic actions as layoffs or reductions in force are taken, administrators must have established carefully thought-out plans. Institutionwide involvement is imperative in preparing such a plan. Administrators must seek input from various divisions. Time must be allowed for adequate preparation, yet the process should not be too drawn out.

The situation dictating the organizational change should be clearly articulated and communicated. Input from faculty and staff should be sought at departmental and divisional levels as well as the institutional level.

DEVELOPING A PLAN

Organizational change is imminent in any college or university and may be brought on by any number of factors. Before organizational change takes place, however, a well-developed plan must be in place. Proceeding without a plan encourages mass paranoia, fear, insecurity, and resentment.

Higher education institutions are unique entities. A major difference between a college or a university and a corporation is that the academy is a not-for-profit enterprise, while the company exists to make a profit. A spirit of collegiality is supposed to permeate the higher education organization, while the corporation exists to produce a lucrative bottom line.

The perception, then, is that individuals at colleges and universities are treated differently and therefore act differently from workers in a mass production operation. The higher education institution speaks of itself as a "family" or "community." Individuals are prized for their special contribution to the academic effort. Thus, it is crucially important that faculty and staff be totally involved in any plan involving organizational change.

Organizational change is difficult to implement smoothly and to the satisfaction of everyone. It is usually met with strong resistance because individuals fear its effect on them. Therefore, it is important to develop the plan early in the process. Keeping faculty and staff well informed from the

beginning provides a much greater chance for success in implementing a change. Seeking the input of faculty and staff serves the dual purpose of involving them in the process and predetermining any potential roadblocks possibly not considered by those planning the change.

It is vitally important that faculty and staff perceive their "ownership" of organizational change for it to succeed. Incorporating faculty and staff in the planning process allows those "in the trenches" who have valuable insight and an excellent perspective to offer their views on what may or may not work well. Incorporating faculty and staff into the development of the plan also provides a forum for discovering new ideas that may not have been apparent otherwise.

The plan must clearly delineate all aspects of the organizational change. It must put forth a timetable that is clearly understood by everyone involved. Communication should be open. The plan should be reviewed by the institution's legal department and by the human resources department.

The success of the plan will rest on its fairness. Is it perceived by faculty and staff as being fair? Is it equitably administered throughout the institution? The plan for organizational change will involve many diverse groups. Faculty representing disparate disciplines will represent a strong contingent. All staff—from accountants to plumbers to custodial workers to assignment clerks—will have a viewpoint. The "pecking order" of academia will pit faculty against administration, causing a strong sense of mistrust and misunderstanding. Efforts must be made to ensure that procedural fairness is built into the process. Did employees have an opportunity to voice their opinions? Was an avenue provided for input?

Unless it is perceived as fair, any plan for organizational change is destined to fail. Individuals enter into the process of organizational change asking the question, "How will this affect me and my department?" Employees need to be reassured that the process planned is indeed fair and equitable. They may disagree with the result, but the process must be fair. The concept of fairness must be stressed throughout the entire process.

The morale of the entire institution will be affected by the perception of the fairness of the plan. Exceptions to the plan will be viewed as special treatment. All individuals affected must be treated equally. If efforts are made to find some individuals new positions, efforts must be made to find positions for all individuals.

ACCOMMODATING THE HUMAN SIDE OF CHANGE

The more severe an organizational change is, the more effort will be needed for the human resources aspect of the change. Organizational change

leads to fear, insecurity, paranoia, uncertainty, and great concern among employees. The college or university must deal with this situation in the most humane way possible.

Rumors and less-than-factual information will abound while organizational changes are being contemplated and planned. The individual delegated to notify employees most directly affected should be well informed and prepared.

Change has a number of implications for human resources. In some cases, the institution may not fill vacancies or may transfer employees. In these cases, employees left behind will be asked to do more with less. When an employee is left behind, the human resources department must provide counseling on the aspects of the change that directly affect the employee:

- The employee may be given opportunities to accomplish new responsibilities. Change can be a new start.
- The employee may need a change.
- The employee may be given the opportunity to learn something entirely new, which adds to his or her versatility and ability to perform other tasks.

The negative aspects of change include:

- The employee could be experiencing stress as a reaction to change. Uncertainty, fear, insecurity, and concern are a natural outcome of change.
- The employee may experience loneliness, guilt, or separation as he or she carries out the job responsibilities.
- The employee may feel overwhelmed with additional responsibilities.

Administrators must deal with the anxieties that are produced by these changes. Concern for the employee should dictate actions taken. An unresolved situation can make employees nonproductive and preoccupied with the change. Poor morale may permeate the institution.

EMPLOYEE MORALE

During any organizational change, the importance of employee morale cannot be overestimated. An institution's values and beliefs regarding its human resources have a direct influence on the culture of the organization.

Change may alter the nature of the institution. If workers sense that reduction efforts reflect a feeling that the institution no longer considers them valuable, they will lose self-esteem and become insecure. Such feelings are bound to be reflected in job performance. Administrators may have to choose between maintaining the present culture and altering it to reduce costs. The key to addressing these challenges is candidness and good communication.

Because they deal with financial matters on a daily basis, college and university administrators are conscious of the need for cost containment and reduction. However, they must also be aware that employees are usually not as familiar with the financial state of the institution. The national press is full of reports about the financial difficulties of colleges and universities. Yet many employees do not relate these problems to their own institutions. When employees do not receive frequent, accurate information, they will supplement the information they do have with their imagination and rumors—many of which may be erroneous. Administrators must remove information barriers to foster a sense of mutual respect and concern for the welfare of the institution.

A lack of information can lead to a demand from employees for assurances and job protection guarantees. Workers should be advised directly by the administration of changes, not be informed through the grapevine. Once a change has been effected, the administration must be concerned with the attitudes and morale of the employees.

Communication is a vital aspect of dealing with organizational change. Too often, an institution takes the awareness of its employees for granted. This is not intentional, but occurs because administrators assume that, because employees are on campus, they are aware of everything going on at the institution. Obviously, this is not true, and only through constant, clear communication can the employee know accurately what is going on.

If employees are kept in the dark about the state of the institution, they will act accordingly and not feel a part of the organization. This leads to resistance to change and resentment toward the college or university.

Several modes of communication can be used by administrators to "get their story out." Administrators involved in planning changes can hold meetings with employees. This seemingly minor action can go a long way in lifting employee morale. The perception that administrators care enough to meet with employees is a major step in the right direction. Face-to-face contact with employees, giving them the opportunity to voice concerns and questions about the organizational change, is necessary for the successful implementation of widespread change.

Newsletters and memos, notices and communiqués, and any other forms of written communication addressed to employees are excellent methods of disseminating information about changes being planned. These vehicles defuse rumors by describing in writing the direction the institution is headed.

Fact sheets that contain concise summaries of plans for change as they develop can be distributed to employees. Explanations of cutbacks in state funding or expenses brought on by unforeseen circumstances or other conditions, and why certain changes are being planned, are important information.

Employees must feel that they can respond to planned changes. Some form of employee feedback must be provided. Holding meetings or forums, asking for written reactions, or hosting small discussion groups help administrators involve as many employees as possible.

Administrators must deal with the concerns of employees transferred, left behind, or given new responsibilities. For employees who are terminated, several courses of action are appropriate.

- The institution should attempt to assist the employee find work within the institution if possible.
- The institution should attempt to help the employee find work in another position outside of the institution if possible.
- Counseling services should be made available to deal with the individuals affected by the change. This may be in the form of personal counseling or advice on a new career.
- Professional assistance should be provided. Employees can be assisted in updating resumes, looking for other positions, or retraining.

OUTCOMES OF ORGANIZATIONAL CHANGE

When the plan for organizational change has been implemented and the necessary steps have been taken, administrators should follow up with the human resources department. A quality management program should be implemented to deal with faculty and staff. Paying attention to the employees is paramount in the aftermath of organizational change.

One university involved faculty and staff from the very beginning in its plans for organizational change. Campuswide meetings were held for faculty and student groups, as well as for staff groups, which encouraged the

involvement of everyone. Each academic and nonacademic unit was asked to involve its employees in the process. Once the changes were implemented, faculty, students, and staff were involved in assessing the organizational changes during a three-year follow-up period.

Once the change has been implemented, the organizational plan can be altered if necessary. If there appears to be an action that is leading to a dismal result, a reassessment of the process is in order. A minor alteration may save the entire plan. Flexibility must be built in to correct mistakes or miscalculations. Employees may be consulted directly for advice or changes that may need to be made. This shows a willingness by administrators to work with faculty and staff.

Administrators should avoid a radical change in direction, which is ultimately counterproductive. Moderate changes are advocated where change is required. Changes should be clearly articulated before being implemented.

Institutional administrators must be sensitive to the effects of organizational change on their human resources. They must recognize early the implications of the planned changes, and must take steps to ensure that all employees are made to feel a part of the process and understand why change is occurring.

3

LEADERSHIP FOR A NEW ERA

Colleges and universities are besieged by constituents demanding effectiveness, efficiency, and accountability at all levels. These demands are particularly challenging at the most senior levels of the institution. Changing global conditions and an economy that can best be described as volatile are providing new challenges for campus leaders. This chapter describes the kind of leadership required to position the higher education industry for a new era.

Four major "cultures" are said to typify colleges and universities in the 1990s:

- The collegium
- The bureaucracy
- An "organized anarchy"
- A politically driven system

Higher education administrators pride themselves on the tradition of the collegium. The Quaker model of the president as "first among equals" reflects the personal power and strength of the incumbent, as well as the consensus-driven culture that emanates from the faculty. In this culture, the faculty emerge as all-powerful, and it is their governance structure and voice that guide the institution's decisions about its future.

The bureaucracy is a hierarchical organization that looks to the president and her or his designees as the decision makers.[1] In this culture, the institution has a clearly defined vision established by its leadership. Appoint-

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ments to positions are made based on the qualifications of the incumbents, and clearly codified rules and procedures exist.

In the "organized anarchy," deans are all-powerful and, in essence, serve as mini-presidents under the umbrella of the campuswide leader.[2] In such a culture, decisions are not consciously made on behalf of the institution as a whole but in a haphazard, functionally oriented manner that only exacerbates the turf-driven nature of colleges and universities—especially major, comprehensive research universities. In such a model, the president assumes the symbolic role of leader, rather than acting as a leader with an agenda and decision-making prowess. This culture typifies "doing your own thing" and being rewarded for entrepreneurship. It is a culture that nurtures the faculty "star" or dean—where a principal investigator with a seven-figure grant reigns over the domain of his or her laboratory.

The political model is based on research carried out in the late 1970s and the 1980s.[3] Institutional leaders are seen as "facilitators" who negotiate through a labyrinth of internal and external political pressures. In this culture, the president is perceived to be a player in an external environment, such as the legislature. To ensure stable, if not increased, state appropriations, the president and his or her team are forced to become responsive and to seize short-term opportunities wherever possible. *Carpe diem* is the mindset in such a culture.

In reality, no single phrase can describe the culture of the academic enterprise in general or that of a single institution. Leadership in a college or university is based partly on the formal authority granted through bylaws, title, and position descriptions, and partly on symbolism and other qualitative or subjective factors, such as perceived leadership/management style, communication skills, and the ability to empower people to work individually and as part of integrated and integrating teams.

SHARED LEADERSHIP

The hierarchical table of organization that is so often ascribed to a college or university merely represents the "face value" of the organization and often conceals as much as it reveals. As Robert Birnbaum states in *How Academic Leadership Works*:

> On every campus, there are persons other than the president who are seen by others as providing leadership. Often these people are themselves in formal leadership roles, such as vice presidents, deans, or heads of important faculty

groups. But people with no formal leadership roles provide leadership as well.

Giving attention to the complex dynamics of organizational leadership, instead of focusing on the myth of heroic presidential leadership, emphasizes that leadership involves interdependence between roles and that roles change over time. The differentiation between leader and follower thus becomes increasingly arbitrary.

Leaders cannot succeed without followers. In higher education, these "followers," often faculty, are usually articulate, enthusiastic, and intelligent people whose training, socialization and disposition leads them to believe in the importance of what their institution does. They exemplify the idea that effective followers are not people who merely follow orders passively or uncritically.[4]

In her article, "In Praise of Followers," R.E. Kelley points out that "followers think for themselves and carry out their duties and assignments with energy and assertiveness . . . . They are risk-takers, self-starters, and independent problem solvers."[5] Others espouse the notion that, while formally designated leaders can make a difference, institutions can exist and advance without them if informal leaders have effective followers.[6] Effective followers seize the moment; are well-versed in and committed to the institution's mission, purpose, and goals; view themselves as team players; exhibit high performance standards; and search for new challenges and opportunities to challenge rather than live within traditional constraints. In *How Academic Leadership Works*, Birnbaum is explicit:

Those in leadership roles can facilitate or hinder the effectiveness of follower initiative; they cannot demand it. Much of what happens in a college is due to the effectiveness of people in follower roles who, without title or authority, take initiative to do what they believe has to be done. As the number of such persons increases in a college, leadership becomes more dispersed. The college becomes a cauldron of ideas and interaction. Groups without "leaders" can be productive because their members themselves have the qualities of effective leadership. Followers share leadership tasks when they behave responsibly respecting the institution's purposes. Good leaders empower followers to

> share the burdens of leadership, and in exchange good constituents produce good leaders.

What emerges is a shared or collaborative leadership model. Such a leadership style is the only way in which colleges and universities will be able to renew themselves and thrive in the 21st century.

SHARED LEADERSHIP IS A CONTRACT

Most higher education administrators are so bogged down in daily trivia that they forget that they are merely one of a myriad of institutional constituents. Each of these constituents enters into a "contract" with the institution. As long as the two parties perceive the resulting "exchange of value" as an equitable exchange, the relationship will sustain itself or grow.

It is this perceived exchange of value that empowers constituents at all levels within a college or university. Constituents—in this case, employees—will begin to focus on renewing, if not redesigning, the academy. Over time, constituents will emerge as leaders. Such institutional self-renewal or redesign is possible when, and only when, leadership is shared across functional units to achieve institutionwide goals. It becomes the manner in which organizational turf is dispersed or eliminated. Through cross-functional management and shared leadership, the president and her or his stewards can ensure that the vast majority of employees are pulling together to support the institution as a whole. To make shared leadership a reality, there must be an institutionwide understanding of the mission and purpose of the college or university.

PRIORITY SETTING

In the 20th century, American colleges and universities have become "all things to all people." Instead of vigorously adhering to their institution's mission, administrators have added to the program and service base because of perceived constituent need or demand. Although this has aided many institutions in their survival (for example, weekend colleges and extended learning have made many programs more accessible), it also has created a mission "fuzziness" that confounds the ability of the president and his or her institutional colleagues and constituents to lead the institution through these complex, and sometimes contradictory, times. To empower followers and have them emerge as leaders, the following priority-setting tasks must be accomplished throughout an institution:

- A focused mission or purpose statement, goals, and objectives must be defined to guide decision making and resource allocation.
- A vision and a strategic plan that flow from the mission must be specified.
- Operational plans at the departmental/divisional level must include specific measurable goals and be tied to the strategic plan.
- The constituent base must be clearly defined.
- Constituent needs must be well understood.
- Programs and services must meet the expressed needs of the defined constituent base.
- Staffing and other resources must be applied to tasks that are considered critical or essential.
- The quality of services provided must be evaluated.
- Criteria or guiding principles must exist to determine whether new programs or services should be added, old services should be eliminated, or alternative provision of nonessential activities and functions should be sought.
- Key decision makers must understand the relative necessity and importance of activities and functions.
- Resources must be reallocated, rather than being cut across the board or through cost-plus budgeting scenarios, and administrators must be willing to eliminate, or provide alternatives to those activities and functions that are not essential to the organization's mission.

An institutionwide focus during priority setting will enable institutional leaders to develop a framework for ongoing renewal and redesign. This enables leaders to evaluate progress in a timely and meaningful manner.

A FRAMEWORK FOR SHARED LEADERSHIP

Although each college and university has its own institutional history, culture, and paradigms, certain components of the organization's structure, operations and processes, and technology are characteristic of effective and efficient institutions.

ORGANIZATION STRUCTURE

To be effective and efficient, colleges and universities must develop an appropriate organizational structure in which "form follows function." That is, the functions to be performed must first be identified within the parameters of the institution's mission and then must be structured in such a way as to enable them to be carried out in the most effective and efficient manner possible.

A leader who wants to renew or redesign his or her institution should evaluate its structure according to the following performance indicators:

- The structure should appropriately reflect the focus and priority of the institution's mission.
- There should be a clear differentiation of responsibilities among functional areas or staff position descriptions.
- Limited fragmentation of activities or responsibility should exist among units or individuals.
- Appropriate ratios of support activity should exist.
- The structure should reflect and reinforce constituents' most critical needs for services.
- There should be few layers of management.
- There should be an appropriate span of control.
- Titles and salaries should be commensurate with the level of responsibility or the work that is being performed.

OPERATIONS AND PROCESSES

The operations and processes of an institution contribute to its overall effectiveness and efficiency, influence the type of environment the institution operates in, and contribute to the cost of the organization. To the extent that aspects of the operating environment are within the direct control of the institution's leadership, leaders can work to streamline and redesign processes and to create a more productive operating environment. Efficient colleges and universities have:

- found ways to do things once and do them right;
- re-engineered processes to reduce the amount of staff time required to complete the process;

- eliminated unnecessary steps, levels of review, and number of signatures required, and retained value-added steps only;
- centralized operations, where appropriate, to achieve economies of scale;
- eliminated duplicate, parallel structures and processes (shadow systems);
- pushed decision making and responsibility to the lowest level possible in the organization;
- created an environment of trust, where decisions are not continually verified or recalculated; and
- improved constituent satisfaction.

TECHNOLOGY

The third component of shared leadership in an effective and efficient college or university is technology. Improvement in productivity is often dependent on the positive interaction of people, technology, and processes. Taken together, these are three important aspects of process redesign and institutional renewal.

As a college or university attempts to refine its role and provide services, it often uses technology to accomplish changes. As the organization initiates change in the scope of its services, it must also evaluate its systems-support mechanisms to determine whether appropriate levels of technology exist, how those technologies can best support organizational objectives, whether appropriate skills are evident among staff, and whether its reward system encourages positive, appropriate behavior. Performance indicators include:

- a comprehensive and current technology plan;
- infrastructure and support that provide information systems users with access to appropriate information, software, and data;
- functionally robust software;
- user-friendly reporting mechanisms;
- cost-effective systems support;
- up-to-date policies, procedures, and systems documentation;
- ongoing effective policy, procedure, and system training programs;

- appropriate staff skill levels; and
- costing and reward systems designed to encourage results in line with organizational objectives.

The framework for shared leadership involves interpretation of the direction in which the institution is moving. This means that the act of leadership is a moral act. Inherent in this statement is the understanding that leadership is a covenant—a covenant of trust in which the institution and its well-being are put before individual recognition or gain. Strong leaders do not create institutional values; rather, they develop processes through which constituents can renew or redesign the institution's mission, vision, goals, and objectives.

RESTRUCTURING THE ACADEMIC ENTERPRISE

To be led effectively in the 21st century, colleges and universities must undergo systemic change. The first step in institutional renewal and redesign will require mass education. Every constituent of higher education must understand that the individualistic system based on competition at all levels that currently characterizes American colleges and universities must yield to a communal system based on cooperation at all levels.[8] All constituents must believe that more can be achieved through shared leadership and teamwork at all levels than in an individualistic system. Finally, a passionate commitment to change must exist at the most senior levels of the institution. It is only with this mindset that systemic change can occur and that performance indicators can be designed to promote the teamwork and shared leadership American colleges and universities need to compete in the new era.

NOTES

1. H.H. Gerth and C. Wright Mills, *Max Weber: Essays in Sociology* (New York: Oxford University Press, 1946).
2. Michael Cohen and James March, *Leadership Ambiguity: The American College President* (New York: McGraw-Hill Book Co., 1974).
3. J. Victor Baldridge and Terrance Deal, *The Dynamics of Organizational Change in Education* (Berkeley, Calif.: McCutchan, 1983).
4. Robert Birnbaum, *How Academic Leadership Works* (San Francisco: Jossey-Bass, 1992), pp. 118-119.

5. R.E. Kelley, "In Praise of Followers," in *Harvard Business Review 66(6)* (1988): 142-148.
6. J.W. Gardner, *On Leadership* (New York: Free Press, 1990), and Birnbaum.
7. Birnbaum, p. 120.
8. Lester Thurow, *Head to Head: The Coming Economic Battle among Japan, Europe and America* (New York: Morrow, 1992).

4

THE NEW WORKFORCE

Most college and university administrators are aware that the student population is becoming more diverse. However, these same administrators may not fully realize how the changes in the U.S. population, as well as recent federal regulations, are affecting their institutions' workforces.

DEMOGRAPHIC CHANGES

FEWER NEW WORKERS

The well-documented decline in the number of potential college students has been accompanied by a decline in the number of young job seekers. According to Clint Bolick and Susan Nestleroth in *Opportunity 2000: Affirmative Action Strategies for a Changing Workforce*, the Baby Boom generation's "low fertility rate has, in fact, contributed as much to the upcoming labor shortage as its youthful ranks contributed, not long ago, to a labor surplus. Confounding government planners, who designed programs like Social Security and Medicare on the expectation that each generation would be larger than its predecessor, the Baby Boomers decided to have fewer—not more—children than their parents had."[1] This shrinking workforce not only contradicts government projections, it challenges employers. Harold H. Hodgkinson points out in *A Demographic Look at Tomorrow* that "... two-thirds of the people who will be at work by the year 2000 are already employed today, and *all* of those destined to join the workforce between now and 2000 already have been born."[2] Some states have experienced a "baby boomlet"; these children are working their way

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through junior high schools and soon will enter higher education and the workforce. However, much of this increase is in California, Texas, and Florida, and there is no boomlet in most heartland and mid-Atlantic states.[3]

MORE OLDER WORKERS

The aging of the Baby Boomers will cause the average age in this country to "go up like a rocket after 2000."[4] By 2000, "the median age for employed Americans will rise to 39 years, up from 36 in 1987."[5] Not only will the workforce be older, but the population will consist of more retirees. As Hodgkinson says:

> In 2002, the oldest "Baby Boomers" . . . become 55, and will begin to retire. (Many of them are planning to leave the workforce early.) As life expectancy increases, a large number of people will work for 30 years (age 25 to 55) and will be retired for 30 years (age 55 to 85) giving them one year of retirement for every year of work. That will put an impossible burden on the Social Security system. In 1950, there were 18 workers to share the costs of each retiree; in 2035, there will be only TWO workers to support each retiree.[6]

MORE WOMEN WORKERS

Just as colleges and universities have seen more women in the classroom, the number of women is increasing in the workforce. Bolick and Nestleroth project that by the turn of the century, 47 percent of the workforce will be women and 61 percent of all American women will be employed.[7]

Many of these working women are also mothers. In 1992, six out of ten mothers of preschool-age children worked outside the home at least part time, up from less than two out of ten in 1960; 82 percent of all children under 18 have working mothers. Women are working out of necessity. Between 1980 and 1990, the number of households headed by single women increased by 21.2 percent. During the 1980s, only 6 percent of American families were the "Norman Rockwell" family of a working father, housewife mother, and two children.[8] The realities of two-income families also affect employers' efforts to recruit staff from outside the geographic area. "Approximately 60 percent of all couples (who) relocate . . . rely on two incomes to maintain the family household."[9]

There is also a "sandwich generation" that faces the need to support both their children and their parents because of increased life expectancy. In 1990, 56 percent of couples between the ages of 40 and 60 had two or more parents still alive. In contrast, in 1900, only 10 percent of couples that age had even

one parent alive. Women provide 75 percent of the physical care for aging relatives, according to a 1987 American Association of Retired Persons survey. Nearly 40 percent of those women also provide care to children at home.[10]

MORE ETHNIC DIVERSITY

According to the 1990 census, 75 percent of the U.S. population is white. The other 25 percent is ethnically diverse, with blacks at 12.1 percent and Hispanics at 9.0 percent. These groups are growing faster than the white population because of immigration and high birth rates. During 1980-90, the U.S. population increased 9.8 percent, but the white population only increased 6.0 percent, while the black population grew 13.2 percent, the Hispanic population 53 percent, and the Asian or Pacific Islander population 107.8 percent.[11]

College and university administrators have already observed that African-American women "have surpassed their male counterparts in higher education and occupations requiring advanced degrees."[12] These women also make up the largest share of the increase in black workers. By 2000, African-American women are expected to outnumber their male counterparts in the workforce, whereas for whites, men are expected to still outnumber women in the workforce.

Unfortunately, a large number of the children of these ethnic groups—the workforce of tomorrow—are born and raised in poverty. Educators know that children need to be healthy and well-fed, and to live in a supportive home environment to succeed in school. Because many blacks and Hispanics face these circumstances, they will not be able to gain the education they need to enter and succeed in the workforce.

FEWER MIDLEVEL JOBS

Jobs in the middle of the economic range are disappearing. High-paying factory jobs are declining as production moves out of the U.S. Middle-manager positions are declining as organizations become streamlined and decision-making responsibilities reside with the workers at the lowest level.

Many newly created jobs will require higher skills. Even the lower-skilled jobs—cooks, waiters and clerks—"will require workers who can read and understand written instructions, add and subtract, and express themselves clearly." By the end of this century, the lowest-skilled workers will be eligible for only about 4 percent of new jobs in contrast to the 9 percent available to them in the late 1980s.[13]

The result will be what is called "two workforces." One workforce will

be at the bottom of the economic range; the other will have higher skills and receive higher pay. Those at the bottom—the "working poor"—frequently will not earn enough to provide adequate food, housing, and health care for their families. College and university administrators must recognize the potentially divisive nature of this trend and join with K-12 educators and business leaders to develop programs to counter it.

SKILLS GAP

America is running out of qualified workers. If current demographic and economic trends continue, American businesses will have to hire 1 million new workers each year who cannot read, write, or count. Fewer opportunities will exist for the untrained and unskilled and for those lacking basic literacy skills. The economy is moving toward knowledge-based jobs. Technology is rewriting the rules of competition, and those who can't play by the new rules may not be able to play at all.

Skill levels. Despite the fact that jobs in the future will require more education than at present (13.5 years as compared to 12.8 years), the fastest growing segments of the population are those with lower educational skills.[14]

Intense competition in the evolving information-based economy will make job performance much more dependent on an individual's abilities to analyze, think critically, and interpret information. By 2000, up to 10 million manufacturing jobs will require different skills than they do now; an equal number of service jobs will become obsolete.

Increase in technical jobs. White-collar positions are growing faster than blue-collar jobs. New jargon such as "gold collar workers" indicates the increasing importance of certain scarce technical skills and the premium compensation offered for these skills.

Geographical mismatch. Most new jobs in large urban areas demand higher literacy, work skills, and habits than many residents of these areas possess. Most entry-level jobs these people are qualified for will be in distant suburbs, exurbs, and small towns. The disparity between the location of most newly created jobs (suburbs) and most idle workers (urban areas) will make minority assimilation more difficult.

IMPACT ON FEDERAL LEGISLATION AND REGULATIONS

Response to the growing diversity of the workforce is a challenge that must be tackled within the context of employment laws and regulations. This

discussion highlights the history of federal laws and regulations that govern employment in colleges and universities. Administrators must also be aware of state and local laws, some of which go beyond the federal requirements.

NONDISCRIMINATION

U.S. laws prohibiting discrimination in federal employment have been in existence for over a century, though requirements for nonfederal employers were not introduced until 1933, as part of the Unemployment Relief Act. In 1940, an executive order issued by President Roosevelt prohibited federal contractors from discriminating based on race, color, religion, or national origin. During World War II, the Fair Employment Practices Committee (FEPC) was created to enforce this requirement. More than 8,000 discrimination complaints were investigated during the war, but the FEPC did not have the power to enforce its decisions. Following the war, President Truman and President Eisenhower created other groups to monitor government contractors, but none had the energy of the wartime committee.[15]

AFFIRMATIVE ACTION

In 1961, President Kennedy went beyond passive nondiscrimination when he issued Executive Order (EO) 10925, which added "affirmative action" requirements for federal contractors. These early affirmative action requirements were modest, but they did require the filing of regular compliance reports to monitor hiring and employment practices. The provisions also authorized terminating contracts of employers who did not comply with the executive order. Two years later, President Kennedy issued EO 11114, extending coverage of EO 10925 to federal construction contractors. In the interim, more than 200 employers had signed "plans for progress" outlining how members of minority groups were being attracted for employment opportunities.

President Kennedy's executive orders requiring affirmative action were replaced by the current requirements for federal contractors when Executive Order 11246 was signed by President Johnson in September 1965. This EO was amended to include women in 1968, and its accompanying regulations were issued with Revised Order #4 in 1972. These regulations call for the setting of hiring goals to achieve a representative workforce. The intent of EO 11246 is that employers should take "affirmative action," or steps that the government hoped would alter the patterns of unemployment and underemployment produced in the labor force by centuries of societal discrimination.

It is important to note that there are no regulations, executive orders, or

laws in this nation that require the hiring of a person who is unqualified. What was new in the executive orders was the requirement that federal contractors re-examine the availability of people with the required skills in their labor pool; publicize all openings, particularly to women and minorities; and fairly screen all applicants. The hiring goals are based on the employer's definition of its labor pool and the availability of people with the required skills. Once an employer has set a goal, the regulations only require the hiring of a fully qualified woman or person of color if there are no other applicants in the pool who are better qualified.

Title VII of the Civil Rights Act of 1964 also requires "affirmative action," but the meaning is quite different from that used in federal contract compliance. If a court finds that an employer intentionally engaged in an unlawful employment practice, then legal remedies are imposed upon the employer to achieve compliance with the law. The only affirmative action quotas in this country have been imposed by courts when employers were found guilty of discrimination and the judge believed the only remedy available was a quota system. However, there are no fines or punishments imposed on employers that violate Title VII. Instead, a victim must be restored to the position he or she would have achieved without the act of discrimination.

AMERICANS WITH DISABILITIES ACT

The purpose of the Americans with Disabilities Act (ADA) is to provide protection for an estimated 43 million Americans with physical or mental disabilities. It requires employers to make "reasonable accommodation" for a "qualified individual with a disability." If an individual with a disability is able to perform the "essential functions" of the position in question, the employer is required to make "reasonable accommodation," unless the accommodation would constitute an "undue hardship." Undue hardship is narrowly defined as an act requiring significant difficulty or expense when considered in light of the nature and cost of accommodation, the nature and resources of the employer, and the type of operation involved. To ensure compliance with ADA, colleges and universities need to focus on and clearly define the essential functions of each position. This is important because a person cannot be excluded or dismissed from a position for being unable to perform a peripheral or nonessential aspect of the position.[16]

Unlike many laws that become effective as soon as they are signed by a president, the ADA has staggered effective dates. Title I, which relates to employment, became effective on January 26, 1992, for public colleges and universities and other public employers, and on July 26, 1992, for employers

with 25 or more staff members, including independent colleges and universities. It will become effective on July 26, 1994, for small employers with 15-24 staff members.

Because the Americans with Disabilitites Act is now effective for public and independent colleges and universities, they should have completed the required self-evaluation to determine whether any of their services, programs, facilities, or activities do not or may not meet the requirements of ADA and, where required, proceeded to make the necessary modifications. This self-evaluation does not have to be filed with an outside agency, but it must be retained and available to the public for three years. If structural alterations were necessary, a public entity must have completed a transition plan by July 26, 1992, specifying the steps necessary to complete such changes, interim solutions, methods that will be used to make the facilities accessible, and the elements and schedule for achieving compliance. Public input should be sought when the plan is developed, particularly from individuals with disabilities and organizations representing their interests.[17]

ADA protects a person who has a physical or mental impairment that substantially limits one or more of the individual's major life activities, who has a record of such an impairment, or who is regarded as having such an impairment.

CIVIL RIGHTS ACT OF 1991

During the 1980s, a number of U. S. Supreme Court decisions weakened Title VII of the Civil Rights Act of 1964, as amended. The U.S. Congress sought to restore some of this protection through legislation. After negotiations with the White House, the Civil Rights Act of 1991 (CRA 91) was signed by President Bush in November 1991. Congress intended the new act to deter discrimination, to provide additional remedies for victims of employment discrimination, and to restore remedies lost through court decisions.

Potentially, the most significant change under CRA 91 is that jury trials are allowed where claims of employment discrimination are made on the basis of race, color, religion, national origin, disability, or sex. Jury trials are usually longer and more costly to litigate than trials before judges. Jurors also tend to be more sympathetic to employee plaintiffs, particularly in termination cases. Though technically the question is the same—whether there was discrimination—jurors often look beyond that question and decide if the plaintiff was treated "fairly" by the employer.

Employers already have been experiencing the effect of sympathetic jurors in age discrimination cases. It can be expected that findings of liability

will increase as a result of the jury trial provision of CRA 91. The damage awards also may be larger, because plaintiffs may now receive compensatory and punitive damages in addition to back pay, recovery of attorney's fees, and job reinstatement that have been available under Title VII and ADA. The CRA 91 cap on the maximum award of compensatory and punitive damages is $300,000 for employers of more than 500 employees.

CRA 91 is beneficial to employers because it authorizes and encourages the use of arbitration for all types of discrimination. This should encourage more employers to use arbitration and other alternative dispute resolutions for staff complaints, because these methods are usually less costly and more expedient.

Another change under CRA 91 is a shift in the "disparity impact" burden of proof from the plaintiff to the defendant. Once a complaining party shows that an employment practice has resulted in a numerical disparity in selection or other employment actions, then the employer will have to justify the challenged practice by showing that the practice was required by "business necessity." CRA 91 defines business necessity as "job-related for the position in question." However, it permits a plaintiff to argue that an alternative employment practice could have been used even if an employer's employment practice meets the business necessity test.

CRA 91 also authorized the creation of a "Glass Ceiling Commission" to study and make recommendations to eliminate artificial barriers to the advancement of women and minorities and to increase their advancement to management and decision-making positions.[18]

CONCLUSION

College and university administrators are challenged to develop appropriate responses to changing demographics and the variety of federal laws and regulations. Fortunately, many of the new policies that will make a college or university a more attractive place of employment for women, minorities, and individuals with disabilities will also help the institution comply with civil rights laws. In addition, hospitable policy changes will make the institution a more attractive employer, which will assist it in attracting and retaining the best faculty and staff.

It is hoped that this chapter has eliminated some of the mystery of the demographics of the new era. The following chapters describe human resources programs that will enable a college or university to attract and retain the new workforce, one of the most important elements in the fiscal management of a college or university.

NOTES

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3. Harold H. Hodgkinson, *A Demographic Look at Tomorrow* (Washington: Institute for Educational Leadership, Inc., 1992) p. 6.

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5. Bolick and Nestleroth, p. 5.

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8. Hodgkinson, pp. 3-5.

9. H. Cris Collie, "Two Salaries, One Relocation: What's a Company to Do?" in *Personnel Administrator 34, no. 9* (September 1980): 54.

10. Lawrence Kutner, "Coping with Dependent Parents," in *Ann Arbor News* (April 9, 1992): C3.

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14. William B. Johnston and Arnold H. Packer, *Work and Workers for the 21st Century* (Indianapolis: Hudson Institute Workforce 2000, 1987), p. 97.

15. Zaida Giraldo, "Myths and Realities of Affirmative Action" in *Cultural Diversity in Libraries: The Michigan Experience* (New York: Neal-Schumann Publishers, Inc., 1993).

16. Daniel J. Julius and Nick C. Geannacopulos, "Protection for the Disabled Under the Americans with Disabilities Act: Part II," *CUPA Journal 43, no. 2* (Summer 1992): iii-viii.

17. Susan R. Meisinger, "The Americans with Disabilities Act: Begin Preparing Now," in *Society for Human Resource Management Legal Report* (Winter 1991): 1-12. 21. Lawrence Z. Lorber, "The Civil Rights Act of 1991," in *Society for Human Resource Management Legal Report* (Spring 1992): 1-4.

18. Bolick and Nestleroth, p. 93.

PART II

Work Issues

5

QUALITY OF WORK LIFE

In preparing to meet the challenges of the 21st century, colleges and universities must adapt to a society in which the distinctions between work life and personal life will increasingly be blurred. Quality of work life is becoming as important as quality of personal life, and has gained rapid acceptance in the American workplace. Both as educators of the future workforce and as employers, higher education institutions are affected by quality-of-work-life issues.

Once largely confined to quality improvement efforts, quality of work life now encompasses a broad range of issues, including aspects as diverse as day care and ergonomics. The subject is pervasive in the media. Major business publications regularly feature articles about quality of work life. Employers are committing themselves to quality-of-work-life initiatives and programs—some are even creating a new position: quality-of-work-life manager.

Higher education's response to this phenomenon will directly affect its ability to compete for and retain a competent and productive workforce. Human resources costs amount to more than one-half of the budgets of most colleges and universities. Thus, financial realities are directly affected by how well an institution responds to quality-of-work-life issues, including quality of supervision, recognition of the work-family interface, and the need for lifelong learning for all employees.

However, this challenge comes at a time when institutions are facing resource constraints that are unparalleled. How is it possible to respond in a time of shrinking resources?

ADRIENNE RILEY

Definitive methods do not yet exist. For most institutions, this is unexplored territory. To formulate a quality-of-work-life approach, colleges and universities must have an understanding of the current definition of quality of work life, a sense of how higher education in general is positioned in this arena, and a methodology to approach this broad subject. This chapter explains and discusses quality of work life. It also presents a model for the initiation of a quality-of-work-life program based on activities and programs that already exist. The approach will enable institutions to start a quality-of-work-life program and promote discussion on ways to sustain it.

WHAT IS QUALITY OF WORK LIFE?

"Quality of work life" has become part of the work vocabulary in the United States. In the earliest journal articles, published in the late 1970s, quality of work life is defined as a quality improvement effort. Throughout the 1980s, organizations undertook activities and programs to improve organizational effectiveness and working conditions through methods such as total quality management, quality circles, quality improvement teams, and process improvement.

In these early models, employees were given more input into the design and outcome of their jobs than they had been in the past. The goal of these models was increased productivity and quality leveraged by increased worker satisfaction. Gains for both the individual and the organization were stressed. However, this early version of quality of work life focused on the worker only within the context of the job and the organization.

Today, the term "quality of work life" still encompasses quality improvement and worker satisfaction. However, the meaning has broadened dramatically. The contemporary definition of quality of work life covers myriad features, both personal and work related, and goes far beyond the original concept of quality improvement.

In the contemporary definition, the premise of mutual gain for the employee and the organization remains. However, an essential shift has occurred: quality of work life has as its goal the satisfaction at work of human needs—the ability of the worker to control his or her life in the work environment. The original assumption persists—the more satisfied the worker, the better the work produced. But an additional expectation has been added: employers are now called upon to acknowledge and provide flexibility and support for many other aspects of the employee's life, some of which are not work related in a traditional sense.

The line between an individual's work life and private life has thus become less distinct. Quality of work life is a kind of a barometer describing anything in the organization that relates to employees' work lives or personal lives. Quality of work life now concerns the whole individual and the whole organization.

A contemporary definition of quality of work life encompasses the following:

- Work structures: quality of supervision, flexible work schedules, job sharing, working at home, telecommuting
- Career growth: training, education, advancement
- Work and family issues: child care, elder care, dual-career families, nepotism, trailing spouses
- Safety and health topics: employee counseling, fitness, stress/burnout, drug awareness and testing, ergonomics
- Changing demographics: diversity/pluralism, the older worker, the "new age" employee

The sheer scope of the definition of quality of work life may seem overwhelming to an employer. At the definition's core is the motivation of the worker. The new definition simply acknowledges the fact that people's work lives and private lives are inexorably intertwined. Satisfaction in work life feeds satisfaction in personal life, and vice versa.

Late 20th century American culture will continue to demand acknowledgement of this fact. The expected shortage of trained workers and the environmental pressures and personal costs related to long commutes to work will contribute to the need to respond to these expectations. Quality of work life will become an ever more important strategy in the recruitment and retention of the best workers.

HIGHER EDUCATION INSTITUTIONS AS EMPLOYERS

Higher education is a labor-intensive industry. Colleges and universities employ large numbers of faculty and support staff and compete for this pool of skilled workers. Thus, in a very practical sense, educational institutions need to recognize the reality of the quality-of-work-life trend and incorporate it into their long-term strategies.

Colleges and universities are different from other kinds of employers. Many of the forces driving quality-of-work-life initiatives have existed in

higher education for many years.

- Higher education is a service industry that employs well-educated "knowledge" workers, many of whom are women.
- A significant part of the workforce, the faculty, have long had access to programs that are now generating considerable interest in other industries: sabbaticals, flexible scheduling, leaves of absence.
- College and university missions are idealistic and readily identifiable: teaching and research contribute greatly to the future of society. This conveys immediate status to higher education workers.
- The mission also has deep relevance to a society that requires lifelong education, and it relates directly to aspirations that many workers have for their own children.
- Campuses are usually physical communities. A campus can be a small town where one can work, go to school, find day care for children, exercise, seek cultural enrichment, and even run errands. Workers in other industries face greater compartmentalization of their lives.
- Colleges and universities have resident experts in many fields. Today other employers seek the knowledge of these experts to improve their own workplaces. Social work, health management and delivery, insurance management, and information management are fields contributing to this body of knowledge. In higher education, these experts are internal resources, and they should be called upon for assistance. Because they are respected members of the community, their input has credibility that may not be associated with outside experts.

These aspects of higher education can be the basis of an important recruitment and retention tool—a quality-of-work-life program. In many cases, programs and activities have evolved around these characteristics, yet they may not be articulated as quality-of-work-life features. As colleges and universities begin to conceptualize quality-of-work-life programs, these assets can provide a framework. This can be a critical advantage for colleges and universities, particularly in tight fiscal times.

METHODOLOGY FOR IMPLEMENTING A QUALITY-OF-WORK-LIFE PROGRAM

Quality of work life can be approached on a number of different levels. Institutions that have not yet formally considered quality of work life can begin by creating an inventory of quality programs and policies that already exist in the organization. A quality-of-work-life strategy can be articulated, putting existing programs and policies within a structured and well-communicated framework. Employees can easily be made aware that a considerable amount of quality-of-work-life programs and policies exist; these programs simply have not been communicated as such. This approach maximizes the effectiveness of existing programs and enables a speedy articulation of quality of work life at the institution. The approach helps employees and the institutional community understand the level of commitment that already exists, and the basis of a quality-of-work-life plan.

A QUALITY-OF-WORK-LIFE CHAMPION

First, administrators need to identify a "quality-of-work-life champion." The quality-of-work-life champion is a person in a responsible position who perceives the need for this activity. He or she might be a senior officer (a dean, a top administrative officer) or a middle manager in related work (the director of the employee assistance program, the head of employee benefits). At this stage, the champion's role is to articulate quality-of-work-life issues and to help the organization understand that there are manageable ways to approach these issues.

THE INVENTORY TEAM

The champion, with the support of senior management, assembles an "inventory team." This team catalogues current activities and policies that relate to quality of work life, such as tuition programs and on-site day care, creating a "quality-of-work-life inventory." The team should encompass or have access to the following areas: human resources, employee assistance, safety, information systems, and campus leadership groups. The team needs a leader and a secretary, and should be assigned a firm completion date for taking the inventory. The team's final product will be a comprehensive written inventory.

The inventory team is charged with examining existing programs and activities that relate in any way to quality of work life. Chances are that a fair amount of related activity already exists, even if the institution has made no formal commitment to enhancing quality of work life. At this stage the team

lists any item that may remotely relate to quality of work life.

This inventory will facilitate quality-of-work-life thinking: employee assistance programs, child care programs and referral services, recruitment/support for spouses, supervisory training programs, career paths/ladders, flexible benefits programs, quality improvement activities, ergonomic initiatives, diversity/pluralism initiatives, safety programs, elder care referral services, opportunities to attend lectures/cultural events, recreational facilities, and transportation supports all enhance the quality of work life.

The inventory team will find the following areas fertile for quality-of-work-life brainstorming.

Job design/work schedules. Flexible job arrangements, including configurations such as flextime and part-time work, are particularly attractive to employees with young children who want to continue working but cannot commit to a fixed and/or full-time work schedule. They are also attractive to workers who are furthering their education.

Seasonal positions (nine- or ten-month positions) have existed in colleges and universities for some time. These cost-effective arrangements recognize the seasonal nature of a higher education institution. Academic departments often set up positions that run from mid-August to mid-May. Positions supporting student activities are often not needed during the summer months or during breaks between semesters. This strategy is both a resource enhancer and a recruitment/retention tool. Seasonal positions may offer full-time benefits, driving up the benefits cost per person, but increasing the retention value and salary savings of these positions. Administrators might consider increasing such positions and marketing them as part of the quality-of-work-life program.

Paid time off. Academic institutions traditionally group holiday time off at the end of the calendar year. This coincides with semester breaks and with elementary and high school closings, as well as with holidays that may require people to travel. This seemingly small schedule alteration is perceived by many as a significant quality-of-work-life advantage.

Tuition reimbursement and scholarship programs. Many colleges and universities provide educational assistance for faculty and staff. Because lifelong learning is beneficial to all workers, access to education and tuition reimbursement are more important than ever. In their dual role as providers of education and employers, colleges and universities can offer more accessible and comprehensive education programs than can other types of employers. It is important to identify these programs, to understand their value, and to structure them to meet as many strategic needs as possible. This

maximizes the effect of this benefit both for the employee and for the organization.

At a minimum, working at the same place where you take courses simplifies life. The commute to school and work is the same. Late afternoon courses are available in many institutions, enabling workers to attend class after work and arrive home at a reasonable time. Workers assigned to afternoon and evening shifts can attend day classes. Some institutions offer release time (at supervisory discretion) for staff to attend classes. (Typically the release time is made up under a prearranged schedule.)

Tuition programs at colleges and universities differ in another important way from those of other employers. Most employers fully or partially reimburse courses towards a degree and/or courses that are specifically job related. Many colleges and universities reimburse courses in any area. Some offer educational assistance for spouses and children, programs that are rarely sponsored by other types of employers. These programs can forge a strong bond between the institution and its employees.

Information resources. Almost all colleges and universities offer access to libraries and technology which frequently includes access to electronic networks. This makes employees' work lives easier and simplifies life for those attending courses.

Recreational resources. Recreation facilities are available on most campuses. Faculty and staff can exercise at lunch or before or after work. Typically, fees are low and children's athletic programs may be offered.

THE STRATEGY TEAM

The written inventory is passed on to a "strategy team." Because this team is charged with defining institutional policy, it should consist of senior administrative and academic officers from key areas (various schools in the institution, human resources, finance, budget, communications) and also needs to include the leader of the inventory team. The strategy team uses the quality-of-work-life inventory to conceptualize a programmatic focus for these activities. In other words, it articulates the agenda for the first phase of a quality-of-work-life communications and implementation strategy that grows out of programs and activities that already exist.

The strategy team uses the written inventory to develop a quality-of-work-life strategy for the institution. The team considers how existing activities and programs can be communicated under the umbrella "quality of work life." The team's initial goal is to help people understand in a different context programs that may have existed for a long time and to communicate

an achievable quality-of-work-life agenda. The team helps to create realistic expectations in the community regarding the institution's commitment. In doing so, it needs to consider the following issues.

- What is the value to the individual and to the organization of each program in the inventory?
- Is each program available and accessible to all members of the community?
- What kinds and amounts of resources are expended for each program? What is a realistic estimate of future expenditures? Will greater results be achieved by focusing these resources on a smaller number of programs or by piggybacking the programs?
- Are there certain quality-of-work-life programs that will be the best response to the demographics of the organization and its available workforce? For example, a college that employs large numbers of two-career couples with children will find child care to be the most pressing quality-of-work-life issue. Institutions that have large numbers of computer jobs need to pay special attention to ergonomics.
- Are the existing programs so scattered and the messages that come out of them so broad that the quality-of-work-life program will be at risk of trying to be all things to all people? It is not always necessary or productive to provide cutting-edge programs in all areas. Employees are often more satisfied when an institution sets a modest agenda and achieves it, rather than when no goal is set or a more ambitious agenda is laid out but not achieved.
- What will be the focus of the quality-of-work-life effort? A well-defined program will lead to successful outcomes, even in a small number of things. Administrators should find a few common themes in existing programs and link them under these umbrellas. Examples are work and family, ergonomics, and quality of supervision. It is important to state the focus and to stick with it.
- Can the success of the program be measured? Statistics can be gathered to ascertain the extent to which programs are being used. Have specific programs affected areas such as sick leave and turnover? Which programs have helped the organization retain and recruit the people most critical to the organization?

At this stage, resource requirements are small, because the strategy will build on existing programs. However, it is important that the institutional leaders be informed of and support the quality-of-work-life effort, because such an effort requires a multiyear commitment. In later phases, activities and programs that exist in separate domains may be drawn together, requiring additional resources. This will require both top-level institutional support for the quality-of-work-life vision and an ongoing emphasis on quality-of-work-life activities and communications.

THE COMMUNICATIONS TEAM

Once the plan is in place, the "communications team" must start its work. This team must alert key members of the community regarding quality of work life, inform the community at large, and then maintain communication about quality of work life on a regular basis.

First, institutional decision makers and supervisors are alerted to the activity of the teams and forthcoming communications that will be directed to employees. By giving advance notice to supervisors and decision makers, they can better understand the issue of quality of work life: why it is important, what the institutional approach is, and what effects the approach might have on their work. Thus, they will be prepared for any questions or issues their employees might raise.

The first institutionwide communication begins at this point. The first written communication can be in an existing in-house publication, or (if budget permits) it can be a separate publication mailed to all faculty and staff. This publication has several goals:

- To announce and describe the institution's formal commitment to recognizing quality of work life.
- To explain the work that has been done to inventory the current activities that relate to quality of work life.
- To publish the inventory, providing detail on each program. A basic theme here is "Look at what is already underway." The reader should understand how the philosophy and strategy of the quality-of-work-life program will build on these existing programs. Another version could outline the way current policies and programs can be combined to deal with certain life events, such as the birth of a child.
- To describe where and when readers should look for future articles and the planned follow up.

This first publication can serve two other purposes:

- To provide a detailed directory about some or all of the existing services, with access information (phone numbers, contact persons).
- To request comments, suggestions, and other feedback from readers that can be used in the next round of efforts.

This first publication should announce that regularly scheduled communications about quality of work life will follow (for example, in a new column in an existing publication that has institutionwide circulation). Ongoing communication is important to remind the community of the continuing commitment to quality of work life.

THE QUALITY-OF-WORK-LIFE COUNCIL

The next job is to establish how quality-of-work-life planning, communication, and implementation will continue. This can be accomplished by establishing a quality-of-work-life council. The council needs a committed leader, such as the quality-of-work-life champion or inventory team leader. The council will gather statistics and feedback on the quality-of-work-life program. Based on its findings, the council makes specific recommendations to the strategy team. For example, the council may recommend that an existing program be expanded, new areas be introduced, other areas be scaled back. The council evaluates the quality-of-work-life program on an ongoing basis.

CONCLUSION

The enhancement of quality of work life will be a part of higher education's agenda well into the next century. Institutional administrators need to have open minds to experience the various shapes, sizes, and dimensions of quality-of-work-life issues; they need to be astute about building on current programs; and they need courage and shrewdness to explore experimental areas. An institution can define its commitment to quality of work life only by understanding how the interrelated aspects of quality of work life can be articulated into a programmatic approach. By recognizing the critical role of quality of work life in managing both personnel costs and the caliber of work of faculty and staff, administrators can advantageously position their institutions to meet the challenges of the next century.

6

FLEXIBLE WORK ALTERNATIVES

College and university managers across the country are facing the challenge of effectively coping with rightsized environments, financial constraints, and staffing reductions. At the same time, their employees are confronting increasingly complex job and family responsibilities. The many, often competing, demands on employees are often reflected in the workplace, where increased stress levels decrease staff productivity, morale, and sense of pride in the quality of performance.

In response, creative managers are modifying administrative practices, including embracing work-time flexibility where appropriate. Flexible work alternatives can accommodate organizational demands and provide employees with incentives to renew their commitment to the institution.

Economic and social trends projected for the coming decade present new challenges for attracting and retaining the best employees. Demographic shifts, declining productivity, and changing employee values underscore the importance of considering innovative approaches to work practices and exploring more effective alternatives for managing the workplace.

CHANGING WORKFORCE DEMOGRAPHICS

The labor pool is shrinking; during the 1990s, it will drop by more than 8 percent and grow more slowly than at any time since the Depression.[1] Skilled workers are becoming scarcer, and the gap between the skills needed for institutional survival and those that workers actually have is expanding.

BARBARA BUTTERFIELD
ANNE CASEY ▼ BETH KANE

This is occurring at a time when high school graduates appear to lack basic math and English skills, yet these skills have become a prerequisite for a variety of jobs.

Additionally, nearly one-third of all new entrants into the workplace in the 1990s will be minorities.[2] Workers are older, more experienced, and competing for limited advancement opportunities. The Americans with Disabilities Act promotes employment of people who may need special accommodations to do their jobs effectively. A variety of alternatives is required to address the needs of the new workforce.

In the next decade, 61 percent of all American women will be working and most will have children.[3] In other words, working parents will dominate the workplace. Additionally, these employees will become more responsible for their own aging parents. Moreover, in most states, two incomes now are required to maintain an adequate standard of living and many people must live far from work to secure affordable housing.

CHANGING WORKFORCE VALUES

Increasing demands at work and at home have made it more difficult to separate personal and professional life. Employees exhibit the effects of extensive responsibilities and conflicts in work or family life in reduced morale, declining productivity, and increased tardiness and absenteeism. The low morale and productivity of such employees can affect other workers as well as the entire organization. A 1988 study at DuPont revealed that comparable numbers of men and women were affected by work and family issues. In another study, sponsored by the Canadian government, both men and women indicated they have refused a job, promotion, or transfer because it would mean less family time.[4]

Younger workers have different attitudes from their predecessors. Leisure, family, and lifestyle pursuits are as important to this group as is work.[5] Older, more experienced workers are seeking more challenging educational and career opportunities to keep them stimulated and productive. Adults of all ages often wish to participate in continuing education, and an increasing number are questioning the traditional life-cycle progression of education-work-retirement.

These changes have been accompanied by a growing awareness that traditional management practices are no longer efficient. Managers and supervisors must act sensitively, yet aggressively, to attract and support valuable employees. Work-time alternatives can help managers recruit and

retain highly valued employees by allowing staff to maximize their potential and minimize the discord family issues can present. These alternatives may be restricted by factors such as productivity, federal and state legislation, union contracts, restricted funding sources, and operational constraints. But employers that can provide their staff with the structural and individual support they need to balance work and personal life will flourish.

FLEXTIME

Flextime is perhaps the simplest type of work alternative: flexible work schedules allow variable starting and quitting times within parameters established by the supervisor. Typically, flexible periods are at either the beginning or the end of the day, with a designated "core-time" in the middle, when all employees must be present. Flexible scheduling options include the following.

Fixed starting and quitting times that are selected periodically. Subject to supervisor approval, employees choose their starting and quitting times for a designated period and work eight hours daily following this schedule. For example, the employee comes in at 7 a.m. and leaves at 4 p.m. daily. After a 12-month period the employee and the supervisor review the arrangement.

Starting and quitting times that vary daily. Subject to supervisor approval, employees choose a regular schedule where they begin and end at different times each day, providing they work eight hours per day. For example, an employee's regular schedule is Monday 7 a.m.-4 p.m., Tuesday 10 a.m.-7 p.m. Wednesday 9 a.m.-6 p.m., Thursday 7 a.m.-4 p.m., Friday 9 a.m.-6 p.m.

Variations in the length of day with a mandatory core-time. This option allows for credit and debit hours as long as the employee is in the office during the core period each day and works the total required hours within a specific period. For example, an employee may choose to work 8.5 hours on Monday, 7.5 on Tuesday, 8 on Wednesday, 9 on Thursday, and 7 on Friday, totaling 40 hours in one week.

Some of the benefits of flextime are:

- It allows the redesign of schedules for positions or work units that need broader or more intensive coverage by providing more staffing options.

- ▼ It reduces employee absenteeism, tardiness, and turnover.
- ▼ It expands use of work space and equipment.
- ▼ It tends to reduce overtime costs.
- ▼ It improves employee morale, commitment, and productivity by accommodating management's and the employee's needs and personal responsibilities.
- ▼ It expands the recruitment pool, especially for specialty skill jobs.
- ▼ It expands hours of service, thereby accommodating client needs at irregular times.
- ▼ It allows the institution to retain employees with valuable skills who no longer want to work a full schedule or typical working hours.
- ▼ It accommodates employees who need undisturbed time to work or have special commuting considerations.

When deciding whether to implement flextime, a college or university administrator must consider state and federal laws. Some states have laws prohibiting nonexempt employees from working more than eight hours per day without receiving overtime pay or compensatory time off. In such situations, the budget may have to accommodate additional overtime expense. Special considerations may need to be made, too, if employees are in a bargaining unit.

Administrators must also consider who will be working during "off hours." These employees must be independent and able to work well without close supervision.

Customer service is a factor to consider when implementing flextime. Because there is a possibility of inadequate staffing during noncore hours, key people may be unavailable at certain times, and employees must be cross-trained to cover for one another, causing a temporary reduction in productivity. In addition, customers may not have services at the time they prefer.

Scheduling and training will play a role in the decision to implement flextime. Employees will have to learn to do each other's jobs to cover a longer schedule of hours adequately, and managers must face the challenge of scheduling meetings and other office events at times when all staff are present.

JOB SHARING

Job sharing is an option whereby two employees voluntarily share the duties of one full-time position, with salary and benefits prorated. Rather than the job being part-time, each *employee* who shares a specific position is part-time. Most often, the split is 50/50, but it can be 60/40, 70/30, or any variation. In any case, job sharers usually need to work a few hours beyond their share of the job each week in order to exchange information regarding the work with their coworkers. Creative and innovative schedules can be designed to meet the needs of the job sharers and the department. Examples include:

- Half-day on/half-day off: job sharers work four hours per day, five days per week
- Shared job with half-day overlap once a week: job sharers work 2.5 days per week with a Wednesday overlap
- One week on/one week off: job sharers work full-time, with every other week off

Job sharing allows the institution to retain outstanding, committed employees who need to work less than full-time. It combines the skills and experience of two people to meet the needs of one position. Allowing both employees the flexibility to meet their outside obligations generally reduces absenteeism, tardiness, and turnover. It also improves morale, commitment, and productivity by accommodating management's and the employees' needs and responsibilities. This option helps ensure a smoother transition of employees, allowing a full-time staff member to scale back hours by sharing a job or training a successor while phasing into retirement or another career. It also guarantees customer service availability during regular working hours, because at least one of the job-sharers is always on duty.

The negative aspects of job-sharing arrangements usually surface in the implementation stage. Supervisors must spend an extensive amount of time finding two compatible people with similar working styles and attitudes. Coworkers must be supportive for the plan to work, and yet they may initially be skeptical, or even envious of those sharing the job. Confusion may exist for clients and colleagues because two people are working interchangeably, providing the same services. But once the match is made and job sharing becomes accepted practice, its benefits can reward worker and workplace alike.

FLEXPLACE

An agreement may exist between a supervisor and a staff member in which some components of the staff member's work are performed at home or at an external office. (This is referred to as "telecommuting" when computers are involved.) This plan is most appropriate for work that has clearly defined tasks and measurable work activity. Typically, a flexplace arrangement specifies the number of hours worked off-site each week. The staff member continues to work on-site for the majority of his or her work schedule.

Like other flexible work arrangements, the flexplace option improves employee morale, commitment, and productivity by accommodating management's and the employee's needs and personal responsibilities. Thus, it reduces absenteeism, tardiness and turnover.

In addition to allowing the organization to retain a high-performing, independent employee who may otherwise be unable or unwilling to continue working, it also provides uninterrupted time for creative, repetitive, or highly detailed work.

Flextime allows for more office space options and accommodates the employee's commuting needs. When deciding whether or not to implement a flexplace option, administrators should consider the following:

- ▼ Performance expectations and work output evaluations are critical to a successful flexplace arrangement.
- ▼ The expense of establishing the home office must be identified: phone costs, computer equipment, insurance, and office supplies.
- ▼ A written agreement must state the specific details of the flexplace plan.
- ▼ Accurate time records must be maintained.
- ▼ The employee's home must provide a suitable work environment.
- ▼ This option should not be implemented for an employee covered by a collective bargaining agreement without review and approval by the institution's employee/labor relations expert.
- ▼ The employee's absence must not be prohibitively inconvenient for clients and customers.

- Because work time is unsupervised, the employee must have specialized knowledge and expertise sufficient to work productively and independently.
- The work, not the worker, must be managed by the supervisor.
- If the employee supervises others, it must be feasible for him or her to work off-site.

COMPRESSED WORKWEEK

Compressed workweek refers to a workweek (typically 35-40 hours long) that is condensed into fewer than five days. Common formulas for this option are:

- Four 10-hour days
- Three 12-hour days
- One week of five nine-hour days followed by one week of four nine-hour days

A compressed workweek may be used by an individual or an entire work group. The hours designated must not compromise other employees' hours. Legal considerations may prevent a nonexempt employee from participating without daily overtime pay. In some states, nonexempt staff cannot work a compressed schedule individually; they are only permitted this option if their entire unit operates on a compressed work schedule.

Administrators must consult with an employee relations expert and/or labor attorney when considering the implementation of a compressed workweek. For example, in California, a compressed workweek is allowable only if a work group conducts a secret ballot vote, and two-thirds of its employees vote for the change. Affected employees must receive two consecutive days off within each compressed workweek. Once the program is implemented, any changes require another secret ballot. Employees must sign an agreed-upon compressed workweek plan that includes specific language to prevent employer liability.

The benefits of a compressed workweek include the following:

- It helps decrease the cost of operating capital equipment.
- It improves allocation of labor time.

- It results in higher productivity due to fewer interruptions during atypical office hours.
- It reduces absenteeism, tardiness, and turnover.
- It improves computer access, because much on-line activity occurs during nonpeak hours.
- It expands options for communicating with businesses in other time zones.
- It improves employee morale and commitment and accommodates management's and the employees' needs and family responsibilities.
- It expands service hours to accommodate client needs at irregular times.
- It allows increased personal time during regular business hours.

Supervisors should not consider this option unless they are confident that their employees have demonstrated independence and good judgment; are self-sufficient, requiring little immediate supervision to complete tasks; are completely trustworthy, because they may have unsupervised access to confidential files; and have demonstrated expertise, because little support from others will be available when "office hours" are over. In addition, employees must be able to call upon the supervisor or a colleague as needed.

Scheduling staff may be difficult, and the responsibilities of one staff member may need to be absorbed by another. Finally, employee safety must be carefully considered, as staff members may be arriving at or leaving the workplace alone and in the dark.

LEAVE OPTIONS

Leave time is an authorized period of time away from work without loss of employment rights. The absence may be paid or unpaid. Leave usually is taken for personal or leisure time, family responsibilities, health care, or education. The leave options discussed here are based on one university's specific leave guidelines. The types of options may differ based on an organization's policies. Maternity and paternity leave and other health-related leaves are often included as a part of an organization's benefits package and are not discussed here.

The benefits of leave options include the following:

- They allow the organization to retain outstanding, highly skilled employees.
- They allow the organization to expand the workforce.
- They improve employee morale, commitment, and productivity, and accommodate management's and staff's needs and family responsibilities.
- They create an opportunity to cross-train or provide internships to staff covering for another employee during the leave period.
- They are an attractive recruitment benefit.
- They may provide a better match between workload and customer service availability.

In considering whether or not to implement these leave options, managers must understand the costs associated with granting them. Job or employment rights of an employee on leave must be protected.

Those most deserving of leaves may be the very employees most difficult to replace, especially for limited periods of time. In particular, it may be difficult to find substitutes for those with technical or highly specialized positions.

In any case of employee leave, the supervisor must manage and redistribute the work load. Cross-training of replacement staff may cause a temporary reduction in productivity. Employees who temporarily transfer into the positions of those on leave set off a chain reaction of position shifts that can result in difficulties when the employee on leave returns to work and all are expected to move back to their former slots.

DEVELOPMENTAL LEAVE OR STAFF SABBATICAL

Developmental leave is a partially paid leave granted so that an employee can pursue job-relevant education or training. Developmental leave may be structured in various ways. The employee could receive 100 percent of his or her salary for one month, or 50 percent of his or her salary for two consecutive months. A vice president or dean may choose to fund several developmental leaves structured in this fashion, or one for six months. A major benefit of granting a developmental leave is that it results in better-trained employees.

PERSONAL LEAVE OF ABSENCE

A personal leave of absence allows employees to take a chunk of time off for personal enrichment, leisure, or rest and rehabilitation. Vacation and sick leave do not continue to accrue. Personal leaves of absence frequently are scheduled during summer months and other periods that coincide with school breaks and typically are initiated by the employee.

VOLUNTARY FURLOUGH

Voluntary furloughs allow staff to customize unpaid time away from the workplace, typically by reducing their hours for a specified period or by taking a pay period off without compensation. Vacation and sick leave do not continue to accrue, but most other benefits continue uninterrupted. Furloughs, such as taking Fridays off for three months, frequently are scheduled during summer months and other periods that coincide with school breaks.

PHASED OR PARTIAL RETIREMENT

Once eligible for retirement, employees may choose to continue working in some capacity. They may choose to draw all or some of their retirement funds while working part-time. The arrangement can continue as long as it is productive for both the institution and the employee. Retirees working 50 percent of full-time or more may continue to receive health benefits and other standard benefits. Partial retirement allows employees to become more economically independent once they are fully retired, and, from the employer's point of view, fosters a better match between work load and worker availability.

SEASONAL EMPLOYMENT

Seasonal employment provides a predetermined work schedule whereby work ceases during the same periods of time each year. The employee is made aware of the cyclical nature of the work prior to employment. Like partial retirement, seasonal employment fosters a match between work load and worker availability.

MISCELLANEOUS WORK ALTERNATIVES

Creative hiring is another way that managers can restructure the work flow for maximum productivity, while containing costs. If the tasks are general enough in nature, if the work load is seasonal enough in its

distribution, or if special projects are one-time-only, the options below might be useful.

PART-TIME PROFESSIONALS

Part-time professionals are permanent employees who work fewer than 40 hours per week. They are required to perform the same duties as their full-time counterparts, but the volume of work is scaled to their hours. These professionals are not seen as entry level or temporary. Rather, they are fully functioning members of the work environment and differ only in the number of hours they work, which can vary from 10 percent to 99 percent. This could take a wide assortment of configurations. Some examples are one day off every other Friday (90 percent); one day off a week (80 percent); or mornings or afternoons off (50 percent).

FLOATER EMPLOYEES

Floater employees hold regular, ongoing positions that are not assigned a specific task but may have assignments in different parts of the same office based on the organization's needs. These jacks-of-all-trades may be responsible for the same or similar work as other employees in the office and are entitled to the same benefits. However, if the flow of the office work load is not predictable, this option may not be feasible. For example, sporadic periods of deadline-oriented activity combined with slower periods, or down-time, may mean that there is an insufficiently steady work flow to warrant floaters.

STUDENTS AS A TEMPORARY WORKFORCE

Students can perform clerical and/or paraprofessional duties to supplement staff as needed. However, if the office is not academic in orientation, this option may not be feasible. Students' work schedules must yield to class schedules, other school activities, and vacation periods. That's fine if the office crunch comes during the regular academic year. But if things heat up during the summer months, when student workers are unavailable, this option may not serve the needs of the office.

SPECIAL SERVICES PROJECTS

Temporary employees or outside contractors can be hired for special, short-term projects. However, customers may be frustrated in not being able to work with the same staff person for long periods of time, or even from one

meeting to the next. Work space may also present a problem in the case of temporary employees expected to work on site.

The benefits of these options include the following:

- They provide a better match between work load and worker availability.
- They may lower costs (as compared to using an outside temporary agency).
- They create opportunities for cross training or internships.

WHERE DO WE GO FROM HERE?

Employers must actively promote the recruitment and retention of high-quality employees. Especially in an era when employee skills seem to be on the decline, managers must try to make the work environment and employees' needs as compatible as possible. Establishing mechanisms through which managers can create more flexibility in daily work schedules is a viable avenue, but the process must be well thought out to be effective.

When contemplating flexible work options, managers should keep the following thoughts in mind:

- Flexible appointments are opportunities and not entitlements.
- Administrators should ensure that flexible appointments will address needs appropriately.
- Flexible work options should be offered based on operational and customer needs.
- In most cases, options are intended to focus on opportunities for staff who are consistently high performers and have exhibited career commitments to the institution.
- Candidate selection must be exercised carefully, taking into account the needs of the department and fellow colleagues, health and safety consequences, equity, benefits issues, performance review, and productivity.
- Implementation of flexible work options should come after careful review of the nature of each specific option, expectations of performance, and the logistics of the transition.

- Managers and administrators need to be particularly sensitive to the audit process, legal liability issues, and funding restrictions.
- The employee, the supervisor, and the human resources department should have signed documents in hand agreeing to any changes. A trial period is strongly recommended, with regularly scheduled reviews with both affected staff and other colleagues.
- When evaluating flexible appointments, both the manager and staff should examine the benefits closely.
- Any modified work arrangements for employees covered by a collective bargaining agreement must adhere to provisions specified in the agreement.
- Before considering or implementing changes, managers should consult with the institution's employee/labor relations specialist.

Flexible appointment options are a viable way for employers to address the changing needs of employees in the next decade and in the next century. However, they challenge managers and administrators to take the time to assess their organization thoroughly and to ensure that the options will indeed improve the quality of output, as well as employees' job satisfaction. If administrators do not closely examine all the possible effects of flexible appointments, positive and negative, these alternatives could be detrimental to both the organization and the employee.

NOTES

1. William B. Johnston and Arnold H. Packer, *Workforce 2000: Work and Workers for the Twenty-First Century* (Indianapolis, Ind.: Hudson Institute, 1987).
2. Ibid.
3. Ibid.
4. Jean Edmonds, Jocelyn Cote-O'Hara, and Edna MacKenzie, *Beneath the Veneer: The Report of the Task Force on Barriers to Women in Public Service* (Ottawa: Canadian Government Publishing Centre, 1990).
5. Alan Deutschman, "What 25-Year-Olds Want," in *Fortune* (August 27, 1990): 42-50.

7

PERFORMANCE EVALUATION

The performance evaluation systems used today at many colleges and universities have expanded in scope as administrative processes in general have grown, becoming more complex and cumbersome and resulting in increased paperwork and resources. Yet they are the primary mechanism for assessing employee performance. Higher education administrators today are ready to consider modifying these systems, but there are no apparent alternatives available that provide for a new approach.

Senior managers at many colleges and universities are also concerned with the performance of individuals and departments in an institutionwide sense. They worry that the overall contribution of individuals and departments is not adequate to achieve the strategic goals and objectives of the institution. Yet the results of most annual performance evaluations indicate extremely high marks for personnel. The inconsistency between senior management's view and the results of performance evaluations needs to be rectified. If the average rating for manager and employee performance is above average, departmental and institutional performance should also be above average.

Under total quality management (TQM), which is being implemented at many institutions today, the value of departmental and institutional performance becomes even more important. TQM assumes that superior performance in a department or institution is due to teamwork, rather than to the contribution of an individual. Because each individual plays a role in the successful implementation of TQM, success cannot be achieved or sustained without the collective success of every team member.

DAVID M. JOHNSON ▼ MANOJ P. SINGH

Higher education's problem of not linking an individual's performance to that of the whole is similar to the problem in the American automobile industry, where each employee on the assembly line does his or her job and receives high performance ratings from the supervisor, yet the engine of the finished car does not run.[1] Although each employee may perform his or her job adequately, the entire organization fails when the automobile does not start. Thus, individual performance alone is not a productive mechanism for achieving effective organizationwide performance.

Historically, higher education institutions have not attempted to link individual performance to that of the department and institution. Studies conducted at colleges and universities across the U.S. have found a systematic process of inflating the performance of certain employees to provide promotion and compensation opportunities for the individual. This process is not intended to encourage inappropriate behavior, but to work around inflexible pay systems. In many pay systems today, an employee at the top of his or her pay level can increase compensation only by moving to the next pay level. This is normally accomplished through promotion, making the performance evaluation process and results critical in influencing the promotion. However, better performance evaluations do not necessarily mean better institutional performance.

THE PURPOSE OF A PERFORMANCE EVALUATION SYSTEM

A performance evaluation system is only one component of a comprehensive human resources management system. More importantly, managers at many institutions question the value of performance evaluation systems, given the time and effort that are required to implement and maintain them. With the fiscal crises facing many colleges and universities, many cannot provide merit increases, or merit increases are dictated by a bargaining unit contract, irrespective of performance. Managers may ask, "Why go through such an elaborate process?"

The benefits derived from a comprehensive performance evaluation system far outweigh the problems inherent in such a system. An effective performance evaluation system can:

- improve employees' performance;
- ensure that employees' duties meet institutional objectives;

- counsel employees on personal and professional development;
- identify employees deserving of promotion;
- assist in disciplinary action or discharge;
- identify areas for training and development;
- determine eligibility for salary increases;
- provide supervisors with a measure of their effectiveness;
- provide recognition of good performance; and
- minimize potential legal action.[2]

The main benefit of a performance evaluation system is its value as a motivation tool and recognition mechanism that energizes employees and rewards them for doing their jobs well. Much has been written about "pay-for-performance" systems that link compensation directly to performance results.[3] A fair and equitable salary and compensation system requires a tightly integrated comprehensive performance evaluation system. Salary and compensation issues must be considered when implementing a performance evaluation system (see chapter 9, Compensation Strategies and Policies).

A comprehensive performance evaluation system will foster motivation and recognition. The system must be fair and equitable in its treatment of employees. Appropriate data must be collected, reviewed, verified, and maintained on a regular basis. This is no small feat for institutions that have thousands of employees.

Evaluations should occur periodically, but in many cases, the person evaluating and the person being evaluated meet on a formal basis only at the beginning and at the end of the appraisal period. As a result, there are few opportunities to make corrections during the period if the employee has less-than-desirable performance. Periodic and informal sessions are becoming more popular in colleges and universities, but it takes the commitment of both parties to ensure that meetings occur more often.

Comprehensive job descriptions should be an outcome of a performance evaluation system. Managers at many institutions collect and maintain job descriptions to facilitate their performance evaluation systems. Historically, the type of job information that is collected by these institutions has been quantitative rather than qualitative. Examples of quantitative and qualitative data are shown in figure 7.1.

FIGURE 7.1
QUANTITATIVE VERSUS QUALITATIVE DATA

Quantitative	Qualitative
Job title	Interpersonal skills
Job duties	Working conditions
Responsibilities	Physical skills
Education/training	Physical demand
Experience requirements	Mental complexity
Job summary	Mental attention

Quantitative data tend to be readily available and can be verified with a reasonable level of effort. Qualitative data typically require more effort to collect and verify the currency of the information. As a result, fewer institutions maintain qualitative data on a routine basis.

COMMON CHARACTERS OF PERFORMANCE EVALUATION SYSTEMS

A multitude of techniques are available to evaluate employee performance. These techniques range from informal methods, such as random observation, to systems based on formal objectives, criteria, and time periods.[4] Some of the more common techniques, such as rating scales, essays, checklists, and rankings, lack external input by students and faculty. Because administrators exist to provide support to students and faculty, they should be soliciting input from these constituents. However, because this practice is not common, its implementation will require considerable effort to ensure that it is effective and constructive. Additional issues, described below, are inherent in performance evaluation systems.[5]

Most performance evaluation systems lack measurable performance standards. When performance standards do not exist, the personal biases of the manager tend to play a significant role in the performance evaluation system.

Most performance evaluation systems lack a mechanism for feedback. The quality of counseling a manager provides to an employee tends to be low

because many individuals find such counseling difficult. If an employee lacks concrete examples of his or her deficiencies, he or she will experience frustration, further complicating performance. As a result, the employee will focus on the negative aspects of the feedback rather than on ways to improve his or her performance.

Inadequate planning. The ideal performance evaluation system is a collaborative effort between the manager and the employee with the best interests of both served. In reality, the process is often a forced effort between the parties and is viewed more as a chore than as a beneficial process.

Lack of supervisory skills. Typically, the development of skills and associated training that many supervisors need to support a performance evaluation system are ignored by management. If supervisors are not properly prepared, they may not provide the appropriate feedback to the employees.

Most performance evaluation systems place too much emphasis on past performance. Managers tend to focus on an employee's history rather than his or her future. It is easier for a manager to evaluate what has happened than what can be done. Without adequate planning and proper supervisory skills, managers are not well equipped to focus on the future.

LINKING INDIVIDUAL PERFORMANCE TO THAT OF THE INSTITUTION

To meet the demands of this decade and the next century, performance evaluation systems must link employee performance to departmental and institutional performance. However, in many of today's systems, there are no mechanisms for measuring this aspect of performance.

Complicating matters further is the need for many institutions to consider hiring/salary freezes, employee layoffs, administrative budget cuts, program/service reductions, and reduced equipment expenditures in an effort to address the fiscal crises they face. As employees are required to do more with less, managers need to improve performance evaluation systems to ensure that the above issues are addressed. Significant improvements in the methodology for performance evaluation will also need to be considered.

Many college and university administrators feel that existing performance evaluation systems are not adequate for measuring and appraising overall performance. Their concerns fall into four categories.

- The content and quality of today's performance evaluation systems are too generic and lack performance criteria designed

to measure the "real contribution" of the different job classifications in an institution.

- The "process" for performing evaluations is inadequate.
- Because annual performance evaluation focuses on the current year, the emphasis tends to be on historical or past performance rather than on future performance and criteria used for measurement.
- Performance evaluation systems are not linked to the overall strategic direction of the institution, to a department's performance, or to the institution's performance.

This is not to say that existing performance evaluation systems must be scrapped altogether. Ranking employees based on criteria that are agreed upon at the beginning of the year (management by objectives), identifying strengths and weaknesses in job performance, and ranking employees through performance criteria to be used for merit pay increases (point system) can be used to improve employees' skills and identify formal/informal training programs. In addition, particularly at public institutions, these performance evaluation systems are used to document actions related to promotion and termination decisions. Existing systems must be used in a new context.

A PERFORMANCE EVALUATION SYSTEM FOR THE 1990S

What is the purpose of a performance evaluation system? Is it simply to measure an employee's annual performance relative to predetermined performance criteria for the position? How can senior management use the performance evaluation system to identify departments that are not contributing? A look at the institution's strategic planning process can show how to do this.

When a college or university prepares a strategic plan, a "top-down" approach determines an overall direction, annual goals and objectives, and performance criteria. Collectively, from the "bottom up," each individual and department identifies the contribution it must make to achieve the goals of the strategic plan. During the implementation of the strategic plan, performance criteria are reviewed to determine progress towards the goals of the plan. Experiences are evaluated over time to measure continued and

sustained performance in achieving the goals and objectives of the plan. Performance is measured by the overall success in reaching institutional goals rather than by individual accomplishments.

The process should be similar when evaluating the performance of individual employees. The employee's performance can be linked to a plan that includes departmental and institutional performance criteria. An employee's individual performance would be measured against the performance of the department and the institution. Overall performance of the institution should be compared with the success of the institution's constituents over a periods of time. This comparison would determine whether the institution's major purpose, to meet the needs of its constituents—students, alumni, faculty, and staff—is being achieved by the collective efforts of the institution, its departments, and its employees.

Clearly a more comprehensive performance evaluation system is needed to meet the demands of this new type of performance evaluation system. Existing models will not suffice in the next century. Although there will be enormous barriers to change, managers must acknowledge the need, assess alternatives, agree on a strategy, and develop an implementation plan.

Figure 7.2 shows a performance evaluation model. The model includes developing a series of plans (individual, departmental, and institutional); identifying results (performance, contribution, and consistency); and linking the results to the success of institution's constituents (students, alumni, faculty, staff, and management).

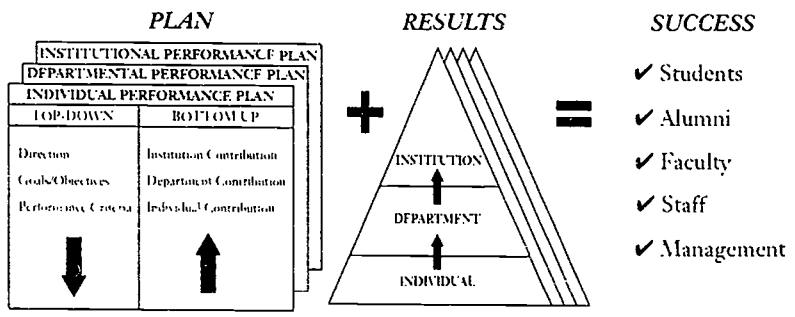
Unfortunately, this concept and its approach are not widely accepted. The systems that exist today were developed primarily to measure individual performance. Many institutions have made a significant investment in developing and maintaining these systems. As a result, adopting the new concept will require drastic changes to many college and university infrastructures, changes in the existing performance evaluation systems, and, in some cases, the acquisition of skills that may not exist on campuses today.

The process includes a performance plan for each individual in the institution, performance plans for each department/division in the institution, and an institutionwide performance plan that is the culmination of the individual and department plans. The institution's performance plan is then linked to the overall institutional mission, goals, and objectives to ensure that the college or university as a whole is focused on achieving results.

The development of the performance plans requires input from the top down, including input on the direction, goals, objectives, and criteria that must be incorporated. In the opposite direction—bottom up—the individual's expected contribution must be put in the context of the department's

FIGURE 7.2

PERFORMANCE EVALUATION MODEL



contribution and the institution's contribution to determine whether the collective contributions match the plans.

The results of all plans can then be monitored to assess the results of each individual and department. If each individual and department meets the direction, goals, objectives, and performance criteria that were agreed upon in the planning process, institutional success is likely.

Because the existing models of performance evaluation will not serve higher education into the 1990s and beyond, college and universities should begin now to undertake initiatives to implement a new performance evaluation system. Although the bargaining units, faculty, and staff may put up barriers to the widespread changes that will be necessary, senior management must acknowledge the deficiencies in existing systems, assess alternative options, agree on a strategy, and develop an implementation plan.

Develop performance criteria. Criteria should identify superior performance that contributes to institutional goals and objectives and emphasizes teamwork. The criteria should encourage institutionwide behavior, be incentive based, and recognize the unique requirements of different job classifications. The criteria should also encourage downward and upward evaluations throughout the institution.

Link performance to compensations and benefits systems. Service-level contracts should be established between individuals and their departments, between departments, and between departments and the institution. As a result, performance will be linked throughout the institution and collaboration will be encouraged.

Focus on the process and techniques that are used in the performance evaluation system. The process should encourage professionalism through formal training and feedback programs. The system should be continually evaluated to identify potential improvements.

Consider using performance benchmarks similar to those used by private industry. These benchmarks may be based on productivity, quality, or accuracy measures. Benchmarks encourage teamwork and excellence.

The higher education industry is rapidly changing due to both internal and external factors. Institutional performance is more important today than ever. Those institutions that can continuously improve themselves by achieving their strategic goals and objectives will be able to control their destiny. Only through the collective efforts of each individual who strives for superior performance can a college or university hope to achieve this goal.

NOTES

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4. Fortunato, pp. 207-207.
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8

TRAINING AND DEVELOPMENT

In the 1990s, the training and development function at a college or university may encompass teaching lab technicians how to clean up blood-spills in compliance with federal regulations, advising a dean on strategies to improve communication, researching self-assessment tools for a career center, and developing changes for a more effective performance review system. What once simply meant providing workshops to train secretaries and first-line supervisors has expanded into a multitude of services designed to meet the changing and growing needs of an institution's employees. The purpose of training and development is to improve individual, group, and systemwide effectiveness and productivity in a manner that is cost effective and consistent with long-range institutional goals and short-term objectives.

Many challenging and diverse demands are being placed upon training and development offices in the 1990s. Colleges and universities have come to realize that the ivory tower is no longer sacrosanct. The need to streamline has forced institutions to redefine their missions and focus on attracting and retaining students. While these conditions are affecting higher education externally, changes in the workforce are affecting conditions internally. Two-career couples, family issues, an increasing mix of employees with diverse ethnic backgrounds, and the desire at all levels to participate more fully in decision making are examples of employee needs that are affecting higher education. Simultaneously, workforce levels are being reduced, management levels are being eliminated, service and aid requests from students are increasing, and new federal legislation requires increased

PATRICIA ANNE PALMIOTTO ▼ GERI CURWIN

monitoring and compliance. Clearly, higher education needs a workforce that is trained and ready to meet these challenges.

Training and development offices contain the resources to teach managers and employees the skills they need to move colleges and universities successfully into the next century. These offices can help improve productivity, align employee work with institutional goals, improve individual job knowledge and skills, reduce conflict between individuals and among groups, reduce expenses in legal battles, fines, and missed opportunities, and communicate organizational expectations, policies, and practices.

TRAINING AND DEVELOPMENT SERVICES

If an institution is to benefit from the time and resources devoted to supporting a training and development function, it must view training and development professionals as "change agents." With top-down management support and an understanding of an institution's vision, mission, and values, qualified training and development professionals can be instrumental in meeting institutional needs as defined by the government, the organization, departments, managers, and individuals. Training and development is a function capable of supporting organizational goals, relating to the bottom line, appreciating management concerns, and enhancing quality of work life and professional growth for employees at all levels. To do so, training and development offices provide many different types of services to meet a variety of needs.

Awareness and educational training. Awareness and educational training is designed to provide information that the institution wants its employees to possess. For example, one institution offers sexual harassment educational sessions for nonsupervisory employees to explain what sexual harassment is, why it is illegal under institutional policy and federal regulations, and where employees can obtain further assistance. As a result, employees who have participated know what the university expects, what behavior will and will not be tolerated, and where to go for help.

Skills development programs. Skills development programs teach employees to perform a particular task with improved effectiveness and efficiency. For example, the controller's office at one institution was spending too much time explaining how to read budget printouts and correctly complete the forms. In response to the problem, a written manual was distributed to new employees with fiscal responsibilities. A training program was developed to enable participants to practice their new fiscal knowledge

and skills. The outcome of this approach was that informed employees completed forms correctly and the controller's office received fewer calls requesting basic information.

Behavioral change programming. Behavioral change programming combines awareness, skills acquisition, motivation, and reinforcement. Supervising training programs exemplify this technique. After attending these training programs, supervisors are better able to prevent employee problems from starting or growing into major disasters that can sap departmental time and institutional resources. At one college, a preassessment and postassessment of employees' supervisory skills are used to encourage feedback and skills development planning with managers. The program teaches effective supervisory behavior and allows participants to practice their new skills. The behavioral change training has produced supervisors who support new ways of thinking about supervising people. Additionally, supervisors are encouraged to continue learning about ways to improve once the training sessions have concluded.

Training may have a departmental focus, giving an employee skills and information that may be useful in the future. The training and development office at one college teamed with the ethics department to offer a series of discussions on ethical issues for managers in higher education. Using case studies, the training administrator discussed the principles involved in making ethical decisions and dilemmas evident in each case study. Although there is no guarantee that participants will face an ethical dilemma as presented, they will be better prepared should one occur.

Training and development provide the means by which human resources are developed to meet organizational needs. In addition to meeting the professional development needs of individuals, training and development services affect the entire organization through workshops for individuals, programs for work groups, systemwide change efforts, one-on-one counseling sessions, and resources such as assessment centers, resource libraries, newsletters, and manuals.

Workshops. In-house workshops use a job-specific focus to ensure that resources are being allocated where there is a defined need for improvement. In these workshops, employees share experiences, learn new ideas and strategies, ask questions, and practice new skills. Follow-up and reinforcement can be built into the design of a workshop. While attendance at workshops may cause a temporary loss of work time and a minor disruption in schedules, the benefits of a trained, competent workforce far outweigh the short-term inconvenience of an employee's absence.

Programs can be offered in-house to train current and new employees if the organization cannot hire employees with the requisite skills. In situations where the available labor pool is unskilled, undereducated, and socially and financially disadvantaged, the training and development function may be called upon to design programs that address the needs of these individuals to gain basic skills. Many organizations are developing "grow your own" programs for positions such as secretaries, clerks, food servers, and physical plant engineers. These programs may be as basic as teaching English language skills, reading, or math, or as specific as training in word processing, data entry, or food handling.

Programs for work groups. Programs for work groups are designed specifically to meet a defined organizational need or problem. All group members participate and they gain an understanding of a situation and the need for change. They learn new skills together and ways in which support can be given. Team-building programs offer the additional benefit of positive relationships that develop from shared learning experiences.

For example, the support staff of one department were having trouble with workload and work-flow issues. Faculty members were complaining to the office manager about the way work was being done in that department, and students had made comments about secretaries' unwillingness to be helpful. When discussing the issues with the staff, the manager found managing time, prioritizing work, and communicating with other staff to be major issues. A training program was designed that taught the manager and her employees to use a problem-solving approach to redesign the work flow and to clarify who does what and when. The department developed plans for maintaining services to faculty and students with the resources they had available. The manager reported improvement, and, because the entire staff participated in the same learning experience, the manager was able to refer to concepts and agreements learned in the workshop.

Systemwide change efforts. Systemwide change efforts require cooperation among many individuals and departments and a significant allocation of time and resources. Top-down support is critical to the success of systemwide change efforts.

For example, to help combat a student retention problem, the training and development office at one university designed a customer-service campaign. A training program was offered to all employees who directly interact with students. Stories and testimonies to the training's impact were highlighted in the campus newspaper. Buttons with logos were distributed to remind employees about good service. Both students and employees reported a positive change in the way they felt about the institution.

One-on-one counseling sessions. One-on-one counseling sessions, whether used to help an employee select a career or to work with a manager on a management problem, are beneficial because they focus directly on an individual's needs. Direct and personal feedback can be shared, and some skills, such as communication skills, can be practiced. One-on-one work of any kind is more expensive than training a group, but may be appropriate when group interventions are not.

Resources. At some institutions, the training function administers tuition remission and tuition reimbursement programs, as well as career counseling. In rightsizing or restructuring situations, retraining or cross-training efforts may be required. Training and development specialists may be asked to provide direct or referral assistance in resume writing, job search skills, and interview techniques.

Services such as assessment centers, resource libraries, newsletters, and manuals can reach segments of the population that will not or cannot attend other programs. These resources allow for greater flexibility and enable employees to teach themselves. Any educational method requires time and expertise to keep information current, accurate, and appropriate to user needs and requires appropriate systems to maintain the service, track usage, and charge back for costs.

INTERNAL CONSULTING

An effective training and development office is flexible, service-oriented, and viewed as an internal consultant that is prepared to research, develop, coordinate, facilitate, and evaluate training opportunities as institutional needs shift. Because they are internal to the organization, the training and development staff should be equipped to investigate. analyze, and recommend solutions to problems. They can identify with the environment, the people, the constraints, the politics, and the fiscal parameters peculiar to the organization.

When specific expertise is required that internal staff do not possess, they can help select an external consultant and work with that person to ensure that institutional needs are met, costs are kept reasonable, and professional standards are maintained.

A LONG-TERM PERSPECTIVE

When budgets are reduced, training and development are frequently

seen as good places to cut. This stems from many factors, one of which is the function's reputation as warm, fuzzy, difficult to quantify, and fluff that real professionals do not need. However, strong training and development offices have clear goals linked to institutional priorities, adequate staffing to meet their goals, and clerical support. Successful programs have survived cuts and even thrived by linking offerings and services to job-related tasks, skills, and qualifications. They have routinely and consistently communicated their services, improved efficiency, created partnerships with other areas on campus, and shifted focus when required.

Training is not a quick fix, but a process that requires ongoing time and financial support. While informational programs may involve limited commitment, programs that are designed to change attitudes or perceptions or to build or enhance skills may require significant long-term investment. A seminar to explain a new procedure may take an employee away from his job for one hour and require the supervisor to provide feedback. A team-building effort may involve a needs assessment, focus groups, and a variety of interventions that may be scheduled over a period of several months. Both training efforts, if appropriately administered, will result in a change of behavior that is beneficial to the organization, but will require vastly different strategies to effect that change.

Training is only effective if follow-through and follow-up occur at the work site. Training is likely to fail when it is regarded as an isolated effort that is the sole responsibility of seminar leaders. Instead, training must function as a partnership with managers who recognize that they are trainers who receive assistance from the training and development department. Training must be considered integral to meeting present and future staffing needs, to identifying and rectifying deficiencies, and to reducing third-party interventions such as grievances and lawsuits.

Unfortunately, many employees do not understand the function of training and development specialists and have unrealistic expectations and a belief that training provides a diversion. The irony of this view is that managers are ignoring a principle that in other circumstances is keenly apparent: if time is money, then training is money in the bank, because it ultimately saves time. On a microlevel, the outcomes of training may be increased knowledge, raised consciousness, developed skills, or changed attitudes—credible and valuable management objectives. On a macrolevel, the long-term outcomes may be an increase in the retention of students, a decrease in employee turnover, avoidance of legal actions, and a workforce that is crossed-trained and better positioned to meet the changing needs of higher education.

A college or university incurs both direct and indirect costs when it chooses to forgo support of the training and development function. Those costs have a direct effect on the institution's ability to service its students and faculty. Lawsuits, which were once an anathema in higher education, are now prevalent. Employees are suing colleges and universities for everything from sexual harassment to unfair labor practices. The time spent fighting these suits draws employees' focus from other responsibilities. When outside counsel is required, the cost will increase considerably (not to mention costs if a court finds the institution liable).

The daily fine for a single violation of a federal rule is often more expensive than the cost of educating supervisors about the rules and training them how to comply. The penalties that institutions have received in sexual harassment cases far exceed the costs of delivering training, implementing a grievance procedure, and administering corrective action when warranted.

By not training its workforce, institutions risk huge fines, are in grave danger of losing court cases, and are perceived by their employees as not caring. Training and development offices can develop programs and systems to lower institutional liability.

New federal regulations require constant monitoring. Training is often a required component of compliance—failure to comply with a regulation can make both the individual and the institution liable. Supervisors are often not aware of nor can they monitor the many changing federal and state requirements. Training keeps supervisors and the institution informed of their obligations under the law. Health and safety problems cost the institution money in fines, time lost from the job, and increased medical claims; proper training and education can reduce these costs.

The cost of not providing training and development services also includes inefficiency and declining productivity. Learning by trial and error is common, but costly. After numerous and continual complaints about other people who "don't know how to do things right," one university training office developed a manual of all the university's internal policies and procedures. Now office personnel have answers at their fingertips. The manual has saved time and decreased stress in the offices seeking the information and in the offices giving it.

Because the demands of higher education's constituencies (students, faculty, parents, employees, the government) are increasing while budget constraints are forcing a slowdown or reduction in staffing levels, it is critical that employees perform their individual jobs effectively and efficiently and work cooperatively. When a group does not work well together, productivity declines. A collaborative work environment is not only more pleasant, but it

creates conditions for mutual problem solving. The cost of poor cooperation is readily apparent. Complaints to workers and managers exhaust work time. When employees resort to trial and error because they do not share knowledge and experience, tasks can take longer to complete and mistakes that could have been avoided may occur.

When individuals are prevented from focusing their time and energy on their jobs, their motivation suffers. These conditions may be caused by a poor work environment, problems with coworkers, cumbersome systems, or ineffective supervision. The training and development office can help by providing education to eliminate these problems.

Individuals and organizations stagnate when opportunities to learn, grow, and develop are not present. In a world of rapid and continual change, organizations must anticipate the needs of the future. If employees are focused only on completing tasks in the same way day after day, both they and the organization will not be ready for the changes that the future brings.

THE FUTURE OF TRAINING AND DEVELOPMENT

New initiatives on college and university campuses include practices adapted from the business community. Total quality management (TQM), which has received much attention in recent years, is a customer-focused, quality improvement and data-driven system that necessitates considerable training-related initiatives. These include evaluating current conditions and levels of satisfaction and training managers and employees in the concept of TQM, as well as in the skills involved in delivering total quality such as problem solving, group dynamics, interpersonal communication, performance standards, systems review, and mechanisms for feedback.

Training and development can play a key role in an institution's efforts to work with a changing employee population. The ability to understand differences and work effectively with others who do not share the same background, values, or language is important if employees are to be productive. Supervisors and coworkers cannot depend on past practice to assure cooperative working relationships. Diversity training requires acute sensitivity to differences and relevant training skills.

An in-house training and development function affords institutions the opportunity to respond efficiently and effectively to changing staffing needs and issues of compliance. It allows for strategic human resources planning as opposed to a band-aid approach to training demands. By its very existence, such a department presents the message to employees that the institution cares about their personal success and development.

Training and Development

Training and development offices provide the vision, develop the skills, and teach the processes that will maximize workforce potential. These offices can provide a myriad of services while balancing costs and benefits, agreeing upon priorities, and satisfying short-term demands and meeting long-term goals.

As the future unfolds, recruiting, developing, and retaining qualified and productive employees will be an ongoing priority of higher education. Training and development offices can provide the initiative, expertise, and mechanisms for meeting those needs.

PART III

Compensation Issues

9

COMPENSATION STRATEGIES AND POLICIES

The reciprocal relationship between an organization and its employees is easily defined. Employers expect a level of commitment from their employees and a "fair day's work" for a "fair day's pay." Employees expect job security, internal and external equity, and opportunities to grow and develop professionally. A college or university's compensation structure, however, is not so easy to define; it encompasses the total level of compensation costs, the institution's culture and pay philosophy, and governmental and statutory regulations. To become more competitive and to comply with federal regulation, colleges and universities should reevaluate their compensation programs. The two main activities in a compensation program are setting and maintaining salary levels. These tasks involve defining internal and external job relationships—through job evaluation—and developing a salary structure.

DEFINING JOB RELATIONSHIPS

INTERNAL JOB RELATIONSHIPS

Internal job relationships can be defined through job evaluations. The common practice of job evaluation is based on the idea that job levels and wages should be founded on job worth criteria. Job worth may be expressed in many ways, but can often be grouped in the major categories of skill, effort, responsibility, and working conditions. These factors are called "universal

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job factors." The many factors used in different job evaluations are expressions of these universal factors. For example, education and experience are variants of skill, while budget and financial parameters are variants of responsibility (see figure 9.1).

Most job evaluation plans create an organizational hierarchy without consideration of external market salary rates. These plans involve the rating and/or ranking of jobs relative to certain criteria or factors. Job evaluation programs provide information about jobs and job requirements as distinct from the performance and behavior of job incumbents. Although individual performance and other individual characteristics, such as experience, are relevant to the establishment of equitable pay levels, they should not influence judgments concerning the jobs themselves. In practice, job evaluations should be based on job analysis and written job descriptions. (Chapter 7 discusses performance evaluation.)

Ranking. The simplest form of job evaluation is ranking jobs according to their value or worth to the organization. Jobs are viewed in their totality rather than by job-specific criteria, hence the name "whole job ranking." Ranking is the quickest type of job evaluation system to implement. It is

FIGURE 9.1

SUBSETS OF THE FOUR UNIVERSAL JOB FACTORS

Skill	Responsibility
Education	Budget responsibility
Experience	Supervision given
Licenses/certifications	Supervision received
Knowledge	Management level
Manual dexterity	Impact of error
Complexity	Contacts
Effort	**Working Conditions**
Physical effort	Environmental constraints
Visual effort	Hazards/risks
Concentration/speed	Exposure
Customer relations	Travel/support

useful primarily in organizations that have few, distinct jobs, because the one-by-one job ranking process can be time consuming.

Classification. The federal government uses the classification approach to job evaluation. The classification approach is similar to the ranking method in that jobs are considered in their totality and assigned to predetermined classes. As with ranking, the lack of specific criteria in determining differences between jobs presents problems in employee communication and acceptance.

Point-factor. Point-factor job evaluation is one of the most widely used evaluation methods in higher education. It is a quantitative method, using weighted numerical points to assign values to different job dimensions, such as confidentiality and contact with students. A committee assigns the values; many levels are used to allow for differentiation among jobs. The committee approach and the multiple factors and levels in point-factor plans are suited to the consensus approach to management favored by colleges and universities.

Factor-comparison. Factor-comparison job evaluation measures internal organizational characteristics and uses market rates for key jobs as a component of the evaluation process. In effect, it is a double-ranking technique. "Benchmark jobs" are ranked for each criterion in the job evaluation plan. The market rates for the benchmark jobs are used to develop a job comparison scale based on the rankings. This scale is then used for all nonbenchmark jobs. Factor-comparison is a complicated technique, and is not commonly used because of the difficulty of communication and implementation.

Guidelines. The guideline method, like factor-comparison, is a market-pricing approach. Internal evaluations are directly based on current market rates. In the guideline approach, the range of salary rates is determined on the basis of the range of market wages of the jobs being evaluated. Jobs that cannot be matched with jobs in the labor market are placed in these ranges.

Statistical evaluation. Statistical job evaluation is a fairly new technique that uses detailed questionnaires about job content that are filled out by job incumbents. The results of these questionnaires are analyzed through statistical methods such as regression analysis to determine numerical scores. Although this job evaluation technique is quite time consuming and costly, potential biases involved in ranking, rating, and classifying jobs are limited because the questionnaire provides definitive data.

When deciding what type of job evaluation methods to implement, administrators must decide how many and which methods will be used. Traditionally, separate job evaluation programs were designed for groups of employees with different external labor markets—executives and managers versus administration and craft employees. Recently, however, single job evaluation has been espoused to ensure internal equity among all employees through one evaluation instrument that defines criteria applicable to all jobs.

EXTERNAL JOB RELATIONSHIPS

To attract and retain qualified employees, wage structures that are competitive with the external labor market must be established. Colleges and universities should establish a compensation and staffing strategy that encompasses labor market wage levels and the institution's financial situation. Because colleges and universities often allow great deal of internal job mobility, many set competitive compensation rates primarily for entry-level positions. Most higher-level positions are then filled by internal applicants. Organizations that traditionally have limited internal job mobility often recruit for all positions from outside the organization. At these institutions, all positions are, in effect, "entry level" positions, as they provide new recruits to the organization.

No college or university uses pure internal labor market staffing or pure external labor market staffing. Although institutions may promote and fill jobs from within, compensation levels must be market sensitive to ensure the retention and motivation of employees. Benchmark jobs are used to monitor the market and to ensure that the college or university structure is market sensitive. Senior administrators and the human resources department should also consider whether the institution's compensation structure, based on the benchmark jobs, leads the market, matches the market, or lags behind the market. This determination influences the costs of the compensation program.

CONDUCTING SALARY SURVEYS

Managers must conduct wage and salary surveys to determine the competitive compensation market. There are numerous issues to consider in estimating labor market compensation levels. Compensation surveys should be viewed as planning tools that enable the institution to determine what other organizations pay their employees in general and the level of pay for specific benchmark jobs. Although the pay of an individual job is in many ways an internal matter relating to individual requirements and qualifica-

tions, the market rate for a job influences the pay structure of a college or university.

Colleges and universities may develop their own salary survey, use surveys conducted by others, or purchase salary surveys from consulting, governmental, or industry groups. In all cases, crucial decisions must be made. The institution's benchmark jobs must be matched with jobs in the survey source to ensure that correct salary levels are obtained. Jobs should never be matched by title, but rather by functional duties or responsibilities. Relevant comparisons by geographic location, type of institution, and the like should be used to determine the appropriate compensation posture for selected groups of positions. For example, within higher education, top administrative positions as well as selected specialty positions often have national, and sometimes international, labor markets, while positions in residence life and student services may be regional or local in scope. A different compensation posture may be required for different positions within the institution.

The survey sample size must be consistent and representative of the institution. The use of multiple surveys provides numerous sources of information to ensure that data are reliable and representative. Managers should obtain as much data as possible when developing an institutionwide salary structure.

SETTING SALARY STRUCTURES

Once the compensation posture is established, the compensation program must be designed to ensure equitable internal relationships and competitive compensation levels. Salary structures, based on market studies, define the parameters of the institution's compensation program.

The techniques used to develop salary structures depend on the job evaluation technique that is used. With ranking and classification systems, salary structures are normally developed through a comparison with a market salary analysis of benchmark jobs by the determined rank or classification. The integration of the internal ratings and the external market rates, which may be very different from each other, can require additional fine tuning. If ratings are not equitable, the internal equity can be modified in accordance with the external rate, or the external rate may be ignored. This is an extremely difficult choice. Generally, internal equity takes precedence over external equity in the development of salary structures.

If an institution uses the factor-comparison or guideline approach, developing a salary structure will not be a major consideration. In both these

methods, the salary rates are determined within the job evaluation process itself, and there is less chance of inconsistency between the external market and the internal evaluation. If a point-factor or quantitative job evaluation technique is employed, any inconsistencies between internal rankings and the market levels must be eliminated.

Once inconsistencies have been reconciled, a formal salary structure can be established. A salary structure consists of a logical series of salary ranges. Each salary range usually has the following elements:

- Minimum: represents the lowest salary in the range and may be used as the hiring salary for employees without prior experience.
- Midpoint: approximates the competitive labor market salaries for jobs included in the salary grade and is an appropriate salary level for fully qualified and experienced employees who have been performing satisfactorily for some time in their position.
- Maximum: represents the highest salary in the range and is usually reserved for those employees who have consistently exceeded their job requirements for a substantial period of time.

The difference between midpoints is the "midpoint differential"; the difference between the minimum and the maximum is the "range spread." Figure 9.2 represents the concept of a salary structure.

FIGURE 9.2
SALARY STRUCTURE

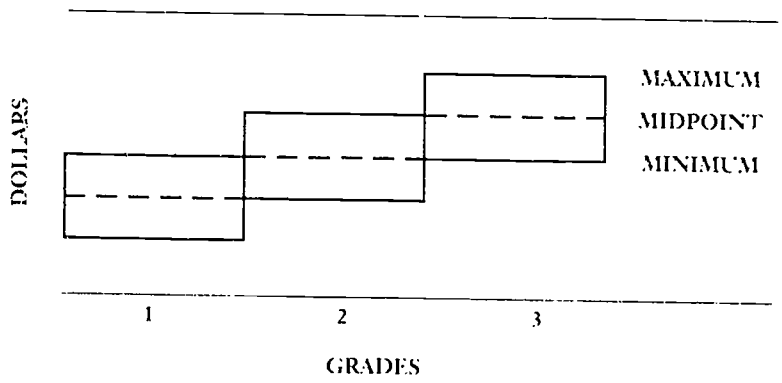
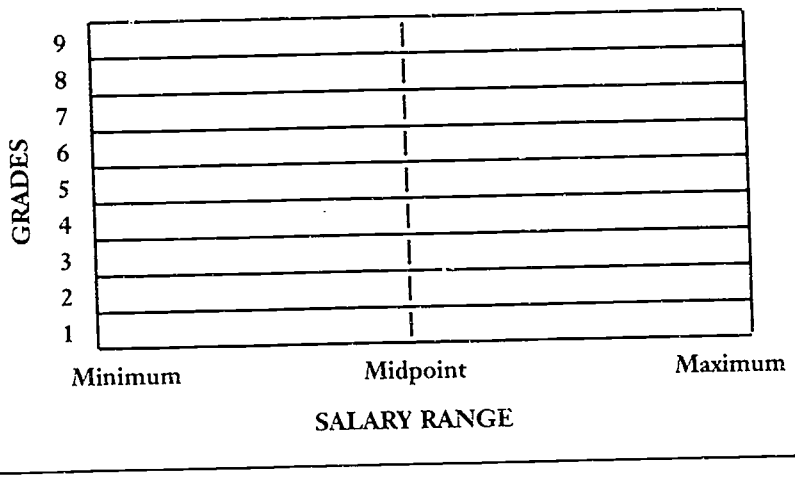


FIGURE 9.3

BOX STRUCTURE



How far apart should the midpoint of one grade and the midpoint of the grade preceding it be? For example, if Grade 2 has a midpoint of $13,750 per year and Grade 1 has a midpoint of $12,500 per year, the midpoint differential would be:

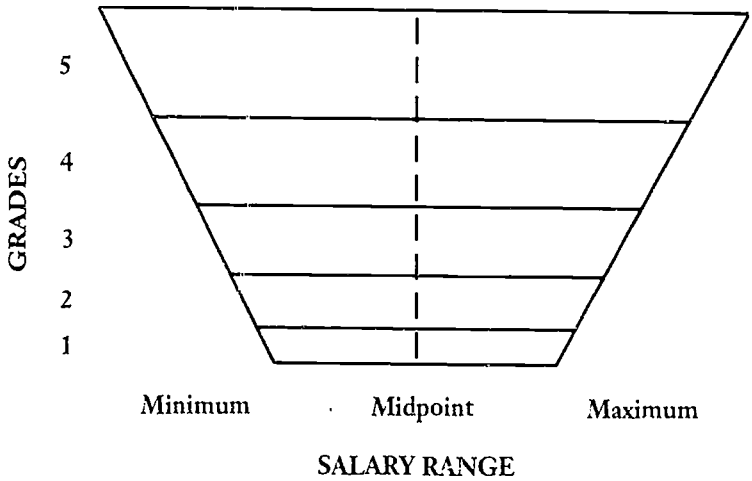
$$\frac{(\$13{,}750 - \$12{,}500)}{\$12{,}500} \times 100 \text{ percent} = 10 \text{ percent}$$

How far apart should the maximum of a salary range be from the minimum? For example, if the minimum of Grade 1 is $10,000 per year and the maximum is $15,000 per year, the range spread would be:

$$\frac{(\$15{,}000 - \$10{,}000)}{\$10{,}000} \times 100 \text{ percent} = 50 \text{ percent}$$

The selection of midpoint differences and range spreads will and should vary by institution, and can result in a "box structure" (see figure 9.3) or a "fan structure" (see figure 9.4). In a box structure, midpoint differentials and range spreads are equal. In a fan structure, midpoint differences and range spreads increase as one moves up through the structure. For example, in a fan

FIGURE 9.4
FAN STRUCTURE



structure, the midpoint difference may start at 5 percent at the lowest grade and grow to 20 percent at the highest grade; range spreads may start at 30 percent at the lowest grade and grow to 70 percent at the highest grade.

The box structure is the more common approach because of its practicality, ease of administration, and equal treatment of all positions. The fan structure is more theoretically appealing, based on the assumption that incumbents in lower grades are promoted quickly and do not reach the maximum rate, while incumbents in higher grades have less promotion opportunity but need larger range spreads. For both of these designs, decisions on midpoint differences and range spreads will affect the number of grades used in the overall structure (larger midpoint differences and range spreads result in fewer grades).

THEORETICAL VERSUS PRACTICAL CONSIDERATIONS

From a theoretical standpoint, jobs at the lower end of the salary structure are more easily mastered than jobs at the upper end. Therefore, salary ranges for the lower grades should be narrower to reflect the shorter

amount of time required to reach fully satisfactory performance. Salary ranges in the upper grades should be wider to reflect the greater complexity and longer learning periods required in higher graded jobs.

Likewise, promotional opportunities occur more frequently in lower grades and become scarce in higher grades. Thus, in theory, midpoint differences should be smaller in the lower part of the salary structure and bigger in the upper part.

The theoretical arguments point to a fan structure, with its increasing rate of midpoint difference and increasing range spread. However, fan structures may be difficult to administer, maintain, and communicate to managers and employees. In addition, in colleges and universities, where promotional opportunities may be limited and long-term tenure in one position the norm, a box structure may be more appropriate.

If job grades have constant midpoint differences and range spreads, as in a box structure, administration, maintenance, and communication are much simpler. Employees can understand that there is a 10 percent salary difference between grades and a 50 percent spread between minimums and maximums. Employees who are promoted know their future salary opportunity will be 10 percent more than previously, assuming a one-grade promotion. The salary structure can easily be updated from year to year based on labor market salaries, economic conditions, and other factors. Movement through the salary range can be managed through simple and direct merit increase grids that relate equal movement to position in the salary range and performance among all grades.

The number of grades in a box structure depends on the midpoint differential. A lower midpoint differential (e.g., 8 percent) creates more grades and is usually associated with narrower range spreads (e.g., 40 percent). A higher midpoint differential (e.g., 15 percent) creates fewer grades and is usually associated with wider range spreads (e.g., 60 percent).

The primary arguments for a greater number of salary grades (and narrower ranges) follow:

- More salary grades create more opportunities to assign any one job accurately into a salary grade containing a group of jobs with similar duties and responsibilities, skill and knowledge requirements, and market rates of pay.

- More grades create more opportunities for employees to be promoted—these opportunities enhance employee motivation and morale. With a shortage of entry-level workers, promotions help attract and retain employees.

Arguments for fewer (and wider) salary grades include the following:

- A greater difference between salary ranges makes it easier for employees to perceive differences in job worth (resulting in fewer requests for reevaluation of jobs).
- Fewer salary grades emphasize pay increases within the salary range based on performance (horizontal salary movement rather than vertical salary movement achieved through promotions).
- With a large number of employees competing for fewer promotional opportunities, wider salary ranges can continue to reward and motivate employees
- Fewer salary grades are easier to maintain, administer, and communicate.

A salary structure with fewer grades and wider range spreads can accommodate increased experience levels among employees through the development of "bands" within each grade. These bands equate to seniority, experience, and the like. For example, an applications programmer job category can be included in one salary grade and positioned in an entry, intermediate, and senior band based on the incumbent's experience and qualifications. This approach is especially relevant for functions such as accountants and research support specialists, where the topics and areas are specialized or complicated.

NEW INITIATIVES

Traditionally, salary structures have contained many grades or job classes, reflecting the conventional hierarchial structure. New initiatives in job structuring, such as the establishment of work teams and skills training for several jobs, require more flexible salary structures. Broad banding is a flexible alternative to traditional salary structures because it is designed to simplify pay administration and to offer realistic opportunities for career and compensation growth.

A broad banding structure contains several wide bands or ranges encompassing a large number of different jobs. This approach, based on competency, allows employees to progress through each band when they demonstrate additional skills or perform at a superior level. The wider banding structure is appropriate for higher education, where promotional opportunities are limited, job tenure is generally long, and incumbents often

FIGURE 9.5

BANDING VERSUS TRADITIONAL SALARY STRUCTURES

Component	Traditional Systems	Banding
Levels	15-40 levels	5-10 levels
Career paths	Horizontal promotions	Lateral promotions
Competencies	Narrow job category skills	Broad skill groupings
Salary Increases	Promotions between levels	Movement through bands

move laterally within different divisions or units. Banding can also be an attractive option for institutions that wish to decentralize and delegate pay administration to organizational units (see figure 9.5). Broad banding can provide significant advantages over traditional salary structures, but it must be accompanied by employee training and development initiatives as well as performance management programs.

The design selected should be evaluated to determine how the proposed salary structure will affect employees and how much its implementation will cost the institution (e.g., adjusting salaries for employees who fall below the new range minimums). If the impact is detrimental to employee motivation and morale and/or too expensive, a different approach should be considered.

PERFORMANCE APPRAISALS AND MERIT PAY

Employee performance appraisals are conducted for both developmental reasons and audit and control reasons (see chapter 7 for a discussion of performance evaluation). Promotion decisions are made on current performance appraisals and assumptions about future performance. More importantly, at least to employees, performance appraisals also provide the basis for compensation increases, generally on an annual basis. When compensation increases are based on performance, standards of performance must be developed and specific levels of performance must be tied to specific reward levels. Although most higher education institutions provide some form of salary increase, limited budgets have hampered the development of a motivating merit system. In addition, the decisions on whom to reward with

limited financial resources are more difficult within the egalitarian culture of higher education. Performance appraisal training, as well as the use of group appraisals, can assist in developing an effective and realistic merit program.

INTERNAL AND INDIVIDUAL PAY EQUITY

No salary structure can be effective without monitoring and control. Individual salary differences between jobs within the institution are as important to employees as external market equity. Employees are very aware of wage differences among jobs at different levels in the college or university, as well as differences in wages among employees performing the same job. These differences greatly influence employees' concepts of fairness and equity and their acceptance of the compensation system.

EQUITY AND EMPLOYMENT LAW

Federal, state, and local regulations enforce equity and nondiscriminatory practices in compensation and employment practices and mandate that organizations refrain from any employment practice that adversely affects any member of a protected group. The protected classes or groups include particular races, religions, sexes, and ages, and national origin. In addition to refraining from discriminatory practices, organizations are also required to take positive steps to find and hire qualified employees from protected groups and to establish training programs to qualify members of these groups for further promotional opportunities within the organization. Higher education has been active in promoting pay equity and monitoring and analyzing pay structures to ensure that all employees are treated fairly, especially members of protected classes.

A number of employment laws must be considered in the context of compensation practices:

- The Equal Pay Act of 1963
- Title VII of the Civil Rights Act of 1964
- The Age Discrimination in Employment Act of 1967
- The Americans with Disabilities Act of 1991
- The Civil Rights Act of 1992

The Equal Pay Act of 1963 established an equal pay standard for men and women employed in the same organization for equal work on jobs requiring substantially equal skill, efforts, and responsibility that are performed under similar working conditions. This law has the greatest impact on compensation levels. If a man and a woman perform jobs requiring substantially equal skills, effort, responsibility, and working conditions but have significantly different salaries, there may be a problem. The intent of the law is to provide a reasonable range of pay for the same job regardless of gender, unless based on seniority, merit, or productivity.

Comparable worth is very different from equal pay. The theory of comparable worth advocates equal pay for jobs of equal worth. Comparable worth is espoused in many settings, including higher education. However, it requires one evaluation instrument for measuring all positions and adherence to an internal equity dominance. This requires the use of a formal job evaluation plan such as the classification system or the point-factor system.

Title VII of the Civil Rights Act and the Age Discrimination in Employment Act provide for equal economic opportunity for all employees regardless of sex, race, age, religion, color, or national origin. The Americans with Disabilities Act (ADA) specifically addresses discrimination against anyone having a physical or mental impairment that substantially limits one or more of the major life activities or anyone who has had such an impairment or is regarded as having such an impairment. These three acts cover all terms of the employment contract, requiring both equal opportunity and reasonable accommodation for the performance of job duties, which must be defined in terms of "essential" functions. The intent of these laws is to provide compensation levels that reflect job worth and individual performance regardless of age, sex, or any other characteristics. Compensation policies must be continually tested to assure compliance with these regulations.

The implications of ADA are extensive. The internal and external value of all jobs must be based on actual job content, which requires organizations to identify criteria and base all employment activities—hiring, promotion, and the like—on these job content criteria. These are the same criteria used in job evaluation. Job descriptions and specifications must be developed that include essential job functions, which will be the basis for all employment actions.

The Civil Rights Act of 1992 solidifies the recourse and legal compensatory limits of the other laws. It provides for jury trial and for punitive and compensatory damage in the case of discrimination. This act protects the

rights of the employee by requiring the employer to prove that a law was not violated.

Although these laws do not directly specify compensation levels, they do provide guidelines for the equitable and reasonable administration of compensation programs.

CONCLUSION

The field of compensation is constantly changing. Many forces affect wages—economics, management, employer attitude, and financial and legal considerations. To provide for a fair and rewarding reciprocal agreement between the employer and the employee, the employer must constantly evaluate, monitor, and adapt its compensation program to reflect changes in the organization, in demographics, and in employee traits. Because all of these characteristics are changing so drastically in the 1990s, colleges and universities face an even greater need to reevaluate their compensation programs. This is not an easy task—it often requires balance and adjustment—but it is necessary to promote institutional and employee productivity and welfare.

10

HEALTH-CARE BENEFITS: COST MANAGEMENT STRATEGIES AND A PLANNING MODEL

While health-care cost increases have led many employers to reduce and/or cap benefits, legislative proposals may actually expand coverage in future years, leading to increased costs at a time when employers are trying to control costs. For example, legislation proposing the extension of health-care benefits to part-time and temporary employees has been in the U.S. Congress for some time. The legislative thrust in recent years has been to expand the provision of health-care benefits to employees previously not covered. The Consolidated Omnibus Budget Reconciliation Act (COBRA) extended coverage to those leaving an employer for up to 18 months following termination.

Only a few years ago, general health insurance benefits were routinely extended to college and university retirees. Recent dramatic cost increases, however, have led many institutions to reduce or eliminate health insurance for this group. Adding to costs, accounting practices for postretirement benefits will change soon based on the Financial Accounting Standards Board's requirement that the "present value" of postretirement expense be recorded while the employee is still working (see chapter 12, Retirement Programs and Issues). This is an accounting expense for which many organizations had not planned.

The continuing growth of health-care costs in a time of diminishing resources has led to immense pressure to manage benefits plans effectively.

H. CLINT DAVIDSON, JR.

This chapter examines two considerations relative to higher education health-care benefits: strategies for managing health-care costs and a process for designing a health-care plan.

MANAGING HEALTH-CARE COSTS

Data on historical health-care costs and future trends are plentiful, and they draw a clear picture: health-care costs have been increasing at an alarming rate. A few statistics quickly provide a picture of the enormity of the problem.

- The gross national product share for medical services was estimated at 13 percent in 1991, up from 5 percent in 1960.[1]
- Injury alone now costs the nation more than $100 billion annually, while annual cancer and cardiovascular costs exceed $70 billion and $135 billion, respectively.[2]
- A 1992 survey of more than 600 businesses showed that the average health-care expenditure made by employers per employee during 1991 was $3,059, up from $2,457 in 1989, an increase of 24.5 percent.[3]

Few experienced college or university administrators are able to avoid the harsh reality that health-care expenses, due to health insurance costs, are much greater than anticipated. Cost increases ranging from 17 to 30 percent are not unusual in campus communities. High utilization of prescription drug benefits and psychiatric care claims, equal to or greater than 50 percent of total claims, is frequently cited as major contributors to cost increases.

While foolproof cost-management strategies have evaded even the most sophisticated health economists and administrators, three strategies should be considered when evaluating contemporary health plans: controlling utilization, negotiating favorable rates for services delivered, and shifting or balancing the cost of health-care delivery between the employer and the employee.

MANAGED-CARE TOOLS

"Managed-care" programs help control health-care utilization and facilitate the negotiation of favorable rates. Managed care is deliberate action to ensure that services covered in a health-care plan are used as intended, and that excess utilization and costs are avoided. The objective of managed care

programs is not to reduce the amount of insurance, available care, or services provided, but to ensure that the right type of care is delivered in appropriate amounts and in a cost-effective fashion.

Each tool discussed below is intended to help ensure that health care and available services are used in a responsible and cost-effective manner. A health-care plan lacking one or more of these managed-care tools runs the risk of excessive utilization and uncontrollable costs.

Preferred provider organization (PPO) arrangements. Under PPOs, service contracts are negotiated with providers of services, both hospitals and physicians, based on competitive and favorable service rates. The preferred providers ensure quality care at a favorable cost to an employer in exchange for an expected number of patients. When receiving care from an eligible preferred provider, those insured may receive a lower deductible or copayment than those not using the preferred provider.

Health maintenance organizations (HMO). HMOs provide a full range of care to enrollees through prepaid premiums and focus on preventive and cost-effective care delivered by a controlled panel of health-care providers for a set premium. Because HMO enrollees in essence prepay for care, they may pay a higher premium than those enrolled in indemnity plans, but they generally have low or no out-of-pocket expenses, such as deductibles or copayments. An HMO accepts the risk of expenses in excess of the premium, thereby establishing an incentive to keep expenses and costs below the premium received. This incentive and risk assumption were intended to control the increase in health-care costs, but loss of physician choice, geographical limitations of providers, and less-than-expected savings are criticisms of HMO programs.

Outpatient services. Plans that encourage using outpatient rather than inpatient services are intended to reduce overall plan expenses. For example, some drug and alcohol treatment protocols can be administered as effectively on an outpatient basis. A plan that does not include outpatient treatment or incentives for using outpatient services, such as lower deductibles for outpatient services, may be incurring unnecessarily high expenses. The introduction of outpatient surgery programs is another example of a delivery shift that can reduce costs without compromising quality of care. Existing plan provisions should be reviewed to assess where outpatient services can be provided as a cost-effective alternative.

Preadmission certification. With preadmission certification, approval from a medical panel before elective admission permits an insurer to

determine the necessity of care, plan care, and communicate the extent of insurance coverage that will be available.

Peer review. This mechanism subjects the behavior of individual providers to the analysis, comment, and potential disagreement of other providers. Peer review has the potential of favorably affecting both the quality and the cost of health care.

Mandatory utilization review. Under mandatory utilization review, an employee is required to obtain approval from a review organization prior to and during hospitalization and following discharge for nonemergency conditions. If approval is not obtained, the coverage provisions are less than those that apply when approval is given.

Case management. Case management is the comprehensive assessment of a serious illness/high-risk claims case that takes into account the patient's needs and treatment plan in light of resources available, the work environment, and family circumstances. Case management professionals work with the medical care provider to use appropriate alternatives for care, as well as to ensure cost containment.

PREVENTIVE HEALTH CARE

A companion strategy that should be considered in addition to managed care is "health promotion" or "preventive health care." Advocates of this strategy argue that identifying and reducing the health-risk behaviors of employees provide an opportunity to reduce health-care utilization and resulting expenses. Typical health-promotion programs are smoking cessation, reduction of high blood pressure and cholesterol, and weight reduction.

When considering the cost of just one stroke or heart attack, the economic advantages of eliminating such a tragic event become quickly evident (annual health-care costs for cardiovascular disease currently exceed $135 billion[4]). Lost productivity resulting from alcoholism, drug abuse, and other related illnesses has a dramatic impact on an employer's health insurance and payroll costs. Health promotion programs are directed at reducing such illnesses and work absences by improving lifestyles and reducing health-risk behaviors. Furthermore, integrating data from health promotion programs and health claims data can better align medical interventions with claims experience. For example, if an institution's claims are significant in the area of pregnancy, it may be practical to provide prenatal and self-care programs. Conversely, if cardiovascular disease is not in the top 5 percent of claims, fitness centers and exercise programs may not be a worthwhile investment.

A case study. In the mid-1980s, University A experienced dramatic increases in health-care expenses. Funding from the university, faculty, and staff was increasingly inadequate to meet projected health-care claims experience. Without change, deficits for the health-care account were expected to reach as much as $1.8 million by July 1989.

Multiple strategies were considered and implemented, including plan design changes, increased deductibles and copayments, and increased employee premiums. In the end, a comprehensive health promotion/wellness program was designed and approved for implementation. This strategy represented a longer-range, more futuristic initiative. The preventive health-care strategy focused on promoting health at the work site as an investment in human capital. The program has as its mission statement "To create a work culture and environment that support positive lifestyle practices and actively promote a safe work place." The focus of University A's health promotion program is to assist faculty and staff in improving their health and well-being by complementing existing resources and coordinating individual, organizational, and environmental health promotion activities.

Long-term goals established for the program for the first three to five years included:

- Involving a large number of faculty and staff in the health promotion process.
- Improving the health status of program participants.
- Contributing to long-term cost containment efforts relating to health-care costs.
- Complementing and contributing to the success of existing health and recreation services
- Improving the status of health data through program and participation evaluation, moving toward an integrated health data management system.
- Communicating the message that the university truly cares about its most important assets—its employees.
- Maintaining a safe work environment.

The results of the program have been very encouraging. Objectives achieved during the first 18 months of the program included the following:

- The chancellor communicated the elements of the program to faculty and staff through a health newsletter and university publications.
- Supervisor orientation was conducted.
- Forty-one percent of the full-time workforce was participating in the program (118 percent of the objective for participation), by completing a health-risk appraisal and participating in one or more intervention activities
- Lifestyle change classes were offered in smoking cessation, cholesterol reduction, hypertension control, stress management, and weight management.
- More than 15 lunch-time programs were presented to faculty and staff.
- An evaluation system and database on health risk appraisals, health audits, and participants were established.
- The university worked with a health insurance provider to coordinate evaluation efforts.
- Opportunities were increased for faculty and staff to use the student recreation center.

Although preliminary data on the impact of the program on health-care costs are limited, they are encouraging. Claims payments for program participants were approximately one-fourth of those for nonparticipants. When reviewing specific treatments for medical diagnosis, claims costs for those participating in the program were consistently lower than those for nonparticipants.

PLAN REDESIGN AND COST SHIFTING

A few years ago, college and university health-care plans provided comprehensive health benefits coverage—usually at no charge to the faculty or staff member. In many cases, the premium for full family coverage was a token amount. Since the mid-1980s, however, the trend has been away from fully paid employer insurance to plans that have much higher deductibles, considerable copayment provisions, and dramatically increased premium levels.

Institutions that continue to provide comprehensive health-care services at little or no cost to the employee are likely to miss the opportunity of raising the employee's awareness and sensitivity to the costliness of health care. Many economists argue that health-care costs can be contained by making the insured share in the expense—thus, the employee becomes aware of the cost of health care. However, the costs charged to the employee should be realistic, not exorbitant.

Deductibles. Deductibles that must be met before benefits are paid help reduce costs and increase the sensitivity of the employee to health-care costs. A few years ago the prevailing deductible level was $100. It is not unusual today to see $500 and even $1,000 deductible levels.

Copayment. A copayment provision that results in costs being shared by the employer and the employee is typical of today's plans. The plan may pay 80 percent of the expenses incurred after the deductible is met, with 20 percent paid by the user. A 70/30 copayment is also common, particularly when coordinated with the use of a PPO. In these situations, participants not using an eligible preferred provider might be reimbursed at 70 percent rather than the 80 or 90 percent that may be offered as an incentive to use the provider. A maximum out-of-pocket expense for the insured, referred to as the "stop-loss" point, establishes a point beyond which the institution will pay 100 percent. Stop-loss limits have been increased in some plans in the last decade as a cost-shifting provision.

Cafeteria plans. The cafeteria, or flexible benefits, plan has gained popular acceptance in the last several years. This type of plan requires the employer to establish a fixed-dollar amount per employee for health-care expenses. The employee may choose a range of health-care services and other benefits based on individual preferences and needs. The employee elects how to invest his or her dollars in the benefit program.

Implementing a cafeteria or flexible benefits plan is an ambitious effort. The concept of providing flexibility and choice is appealing, but there are sizable challenges in designing flexibility, in communicating the concept, and in developing cost-effective enrollment and administrative procedures.

Generally, all faculty and staff are required to enroll in at least the "core" (paid for by the institution) health-care plan, which provides a basic level of insurance protection for the individual. Enrollment in options in addition to the core are allowed. These may include family/dependent options, optical and dental plans, life insurance provisions, and multiple deductibles. Options are generally paid fully or partially by the insured.

Deciding on which elements are core and which are optional and the

costing of each option are complex procedures. Communication of plan and enrollment procedures is extremely important. Because of multiple design provisions, there are many communication challenges.

Those most in need of a particular option will likely enroll in that provision, which could ultimately increase the cost of that provision. This is often cited as one of the drawbacks of cafeteria benefit designs. While one employee may prefer to have a full health and dental plan, another may exclude dental coverage and opt for the health plan only. Cost control occurs because the dollars allocated per employee remain fixed even when health-care costs increase. A larger proportion of those costs in subsequent years will be paid for by the employee. The flexibility and choice afforded the faculty or staff member are generally highly regarded and help offset the inevitable increase in cost sharing.

Tax shelters. The introduction of tax-sheltered personal spending accounts, under Internal Revenue Service Code 125, has permitted employees to avoid taxes on a considerable portion of their share of health-care expenses. Some organizations use personal spending accounts as a strategy to permit before-tax payments for eye glasses, dental care, and other uninsured medical expenses. This provision can reduce the financial impact on the faculty or staff member at a time when he or she is assuming a larger proportion of the health-care expense.

More and more employers are factoring cost sharing into their health-care plans—a trend that will likely continue in future years. Employees at all levels and in all industries will be expected to pay more for health coverage. These increases may be viewed by many as "taking back" something earned in earlier years. The thought of having to change doctors or hospitals will not generate a cordial response. With these formidable financial and employee relations challenges in mind, thorough planning and communication are required.

A PLANNING PROGRAM FOR A HEALTH-CARE PROGRAM

The changing needs of a college or university's diverse workforce require the development of decision-making criteria for designing and implementing health-care benefits. Because health-care expenses constitute a significant portion of the budget, administrators must not only plan how much to spend, but they must also make sure they stay within budget. Despite such a large expenditure, there may be growing pressure from constituent groups and individuals to expand coverage and/or reduce costs to faculty and

staff. In designing a health-care plan, controlling costs while providing adequate health care is a major consideration.

The planning process encompasses identifying key programmatic and financial issues relative to the health-care program. Issues such as plan design, eligibility for coverage, extension of benefits to retirees, new plan provisions, and funding levels become even more critical during times of growing competition for limited resources. The objective of the institutional planning process should be to define the key elements to be included in the health-care plan design and to establish a systematic approach for implementing and maintaining a plan that serves specific institutional and community needs.

Because the health-care plan is intended to serve the needs of both the institution and the workforce, the involvement of faculty and staff in the planning process will likely increase the acceptance and maintenance of the plan design features. Even at campuses that do not practice a participatory management approach, input into this element of the compensation and benefits plan will prove valuable. Designing a plan that recognizes the range and changing nature of employees' needs will better ensure that those covered by the plan are satisfied with it.

Seven steps for developing a strategic plan for a health-care program are outlined below. The same steps could be followed in developing an overall employee benefits program.

- Educate the workforce
- Design the health-care plan
- Obtain approval from top administrators and the governing board
- Communicate plan provisions to faculty and staff
- Implement the plan
- Evaluate the plan
- Update the plan

At least three groups on every campus should be involved in varying degrees in the design and implementation of the health-care plan:

- The college or university administration
- An implementation/administrative team composed of benefits/human resources staff, budget/accounting/payroll staff, and administrative systems/computing staff

- A user committee composed of key user groups and other constituency forums on the campus, such as the faculty senate or staff council

The input of these groups is essential to designing and/or changing the provisions of a health-care plan. The administration must ultimately approve the plan's objective and design. The implementation/administrative team represents those responsible for developing and implementing administrative policy and support systems. The user committee provides essential input and feedback necessary for defining needs and conditioning expectations. The support of these groups is a key element in effective communication and promotion for plan provisions and implementation of necessary changes. All three groups must fully understand the concepts and the administrative details of plan provisions.

EDUCATE THE WORKFORCE

Consumer knowledge is very important in positively influencing health-care utilization. Most employees' level of understanding of their employer's health-care plan is low. When plan design problems or funding issues arise, such as an increase in premiums or deductibles, the effort is usually made to increase the understanding of the university community. However, this is not the optimal time to create understanding.

Employees should be educated about the institution's health-care plan on an ongoing basis. Educational commitment carries an obligation to ensure that the administration, the implementation/administration team, and the user committee team fully understand the plan design provisions of the health-care program before implementation. Employees must be educated so that they understand and support the planning process.

DESIGN THE PLAN

Survey customers. Designing the health-care plan involves more than fitting a design to an available budget. Assuring that the plan is valued by users may seem obvious, but this assurance is often missing in plan design. Given the sizable financial expenditure of institutional resources, it would be tragic for the investment to be undervalued or even disregarded because the plan does not meet the needs and expectations of faculty and staff.

Input and feedback from users can be gathered in many different ways, including through interviews, focus groups, and formal surveys. Additionally, a review of key campus demographic variables that might influence plan design, including employees' age, sex, race, marital status, and salaries, should be analyzed. For example, a benefit plan for which benefits accrue

primarily to families and their dependents when the majority of the workforce is single could prove ineffective.

Another vital element at this stage is the development of objective criteria by which the ultimate success of the benefit plan will be measured. The institution must define how the plan will look and be perceived when those using it are satisfied.

Conduct market research. Market research is essential for comparative purposes. A key element in this step is the review of other employers' plans, including coverage parameters and costs to employees. Discussions with benefits consultants and with administrators and benefits professionals from other employers, in both higher education and other markets, are important. A review of benefits literature and public surveys, as well as discussions with faculty experts in health-care economics and benefits plan design, will also prove helpful. Employer coalitions, where available, can provide valuable information and programs.

Develop options. Input from key user groups, along with market research information from competitors, can lead to a preliminary listing of what options are likely to be important to the employees. This preliminary step should be considered a "what if." The actual options to be offered can be determined once financial and systems considerations are understood. Again, benefit consultants or others experienced in plan design can help integrate data from customers with market research.

Conduct financial analyses. Close coordination with financial planning and accounting staff is necessary. Research on cost and utilization patterns is imperative. This step may require actuarial support, which is not usually available within the institution. Each proposed design requires its own financial impact analysis. Depending upon the alternatives, multiple financial and rate structure models assigning costs to departments and individuals may be required.

Conduct computer analyses. Close coordination and collaboration with administrative systems and computer support staff will be essential for effective implementation and maintenance. Financial performance data and other utilization statistics will be necessary to monitor the plan. This information is available from those administering the plan. Nevertheless, key administrative systems support will be necessary for plan implementation, and it is imperative that specifications be written before a decision is made on the final plan. For example, a complicated plan with multiple funding requirements could result in costly administrative systems. The total

cost of the health-care plan is more than just the claims. It is important to have efficient and cost-effective support systems.

Make recommendations. The last step is to develop recommendations for the review, approval, and support of the administration, the implementation/administrative team, and the user committee. These recommendations should meet the criteria developed at the beginning of the process. The necessary computer systems and required financial support should be included in the recommendation. Options should be established in priority order with criteria for prioritization established by the user committee. Written recommendations with specifications should be discussed and communicated with each constituent group, the administration, the implementation/administrative committee, and the user committee.

OBTAIN APPROVAL

The approval process should include more than simply an approval or a disapproval. The decision must have the support of the administration and the user committee.

The transition from approval of the concept to its communication to the institutional community is complex. The health-care plan, as well as the entire benefits program, is for the benefit of the entire community; it is the property of this community. The inclusive and participatory process used in the strategic planning model is intended to emphasize joint ownership. Because health-care plans typically involve copayments and shared funding, this model seems apropos. An inevitable issue at this stage is how the program is to be communicated.

COMMUNICATE PLAN PROVISIONS

Once a communication process is agreed upon—at the time of obtaining approval—a formal communication plan can be executed. Because the administration and the user committee were involved in approving the plan, they presumably endorse and support the plan and the reasons for it.

No effort is more important than the communication process. It is in this area that many employers try to save time and money and as a result miss the opportunity to educate the campus community, not only about the plan design and claims processing, but also about cost-management considerations.

Because responsibility for operating units throughout the institution generally rests with vice presidents, deans, departmental administrators, and supervisory staff, these are the people who are best positioned to communicate new plans or changes to faculty and staff. The benefits office or human

resources staff should be instrumental in designing communication pieces, but it is important to include administrative, managerial, and supervisory staff in the process. Accordingly, in obtaining the approval of the administration and user committee, it is important to underscore who will be responsible for communicating plan provisions.

A time-line and process that takes advantage of internal communication vehicles and staff and faculty forum meetings should be established. An assessment should be made as to whether external resources will be necessary in designing communication pieces to be read by diverse constituent groups. The senior leadership needs to understand, endorse, and support the communication process.

Communication pieces must be drafted and reviewed well in advance of announcements through an established approval process. Ideally, the effectiveness of communication pieces should be tested through pilot presentations to focus groups or the user committee. An evaluation should be made to ensure that the intended messages are received by the respective audiences. Communications should be revised as necessary, based on feedback from these evaluation efforts. Lastly, and most importantly, it is important to ensure that everyone is included in the communication process.

IMPLEMENT THE PLAN

This step involves a number of important logistical details including:

- reviewing the vendor contract with legal counsel and executing the contract;
- developing a formal plan document as required by the Employee Retirement Income and Security Act;
- training benefits and payroll staff on implementation and explanation responsibilities;
- executing an enrollment process and ensuring that billing and administrative systems are in place;
- ensuring that management reporting systems have been designed and tested; and
- ensuring that appropriate enrollment and confirmation forms have been designed.

Implementation should occur almost simultaneously with communication, and in some cases advance work should begin before communication.

EVALUATE THE PLAN

The plan must be reviewed against the criteria that were established at the beginning of the process. Faculty and staff throughout the institution should be surveyed as to how the health-care program is working. Overlooking this step could lead to problems in the future.

The process of continuous assessment and improvement will ensure that the plan is fulfilling intended objectives. Also important is a regular review of financial performance and claims-data experience so that trends can be tracked and the need for modifications can be considered.

UPDATE THE PLAN

Based on input from the evaluation process described earlier, the entire cycle should be repeated for a systematic update.

CONCLUSION

The management of health-care expenses is a function of providing incentives and maintaining control. Incentives include strategies intended to direct employees toward using physicians and health-care providers who are committed to providing quality and cost-effective care. Controls include managed-care strategies and periodic reviews of the services being provided. The objective of such a program is to ensure that appropriate care is delivered in the most cost-effective way.

Sharing the cost of health care with employees is the trend of the future. Larger deductibles and copayments, as well as higher premiums based on growing health-care claims, are common elements in contemporary health-care plans. Systematically planning, communicating, implementing, and evaluating the health-care plan will help ensure fulfillment of design and financial objectives. Collaborative work with key campus constituents will increase understanding and improve utilization of cost control provisions.

NOTES

1. U.S. Health Care Administration, Health Insurance Association of America (1992).

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11

THE NEXT GENERATION OF BENEFITS

In designing benefits for the 1990s and the beginning of the next century, employers are looking beyond the traditional benefits plans to the next generation of benefits. These new benefit plans will

- meet a variety of work and personal needs;
- respond to changing lifestyles; and
- foster the idea of a partnership between employers and employees.

Although many college and universities have not yet moved beyond offering traditional benefits, administrators are beginning to realize that comprehensive and flexible benefits are a necessity. This realization emanates from changing work and family trends and the need to use benefits to attain competitive advantage. Colleges and universities that wish to be the "employer of choice" for an increasingly diverse workforce must design benefits that respond to changing demographics and changing values.

WORK/FAMILY TRENDS

The post-World War II stereotype of the traditional "Ozzie and Harriet" family—husband, wife, and 2.4 children—has been shattered. Households with both a husband and a wife are declining, while other configurations are on the upswing. By 1995, only 52.5 percent of households

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are expected to be husband-wife models, while 30.9 percent will be headed by women and 16.6 percent by men.[1]

Protracted adolescence. Just when parents thought they were safe, the "boomerang generation" has returned home. Unable to afford the lifestyle they grew up in and are accustomed to, children are returning home after college and delaying marriage. The median age at first marriage of both males and females is steadily rising.

Work-family conflicts. In a 1992 Gallup Poll, 87 percent of employed Americans age 30-49 claimed they felt conflict between work and family demands. According to a 1990 Roper Poll, dual-career couples and working women have less leisure time than other groups—only 27 hours a week.[2] The American Use of Time Project found that women are more pressed for time than men, and single mothers are the most time-crunched group of all.[3] Increasingly, employees are bringing their family pressures to work, forcing employers to provide more work-time flexibility.

In 1992, the Department of Labor claimed that one-half of 452 collective bargaining contracts signed included references to at least one family-related issue. Some contracts, like AT&T's agreement with its union, put family concerns on a par with traditional contract terms, such as wages and hours of work.

New benefits. As family life changes and employees try to balance the stress of work and their personal lives, they will look for employers that provide child-care assistance and other on-site conveniences such as dry cleaning, shoe repair, take-out meals, and motor vehicle registration. The most responsive employers will set up workplace concierge services that take care of all daily errands from dry cleaning to videotape rentals.

New benefits will appear in response to the increasing costs of housing and education. Some employers may negotiate lower mortgage rates for their employees, some may provide low-interest mortgages, and some may provide more comprehensive educational assistance. Others are exploring housing and education loans.

As the boomerang generation returns home with little or no health coverage, parents will begin to put pressure on employers to raise the dependent age cap. Coverage for domestic partners will be requested by the increasing number of employees living in nontraditional families.

Seeking to balance work and family pressures, employees will look for family leave to take care of sick relatives and sabbaticals to deal with educational needs, long-delayed projects, or much-needed respites from work.

CHANGING WORKER VALUES

The worker of tomorrow will exhibit a greater concern for the quality of life than did the worker of yesterday. A recent study showed that the amount of leisure time enjoyed by the average American has shrunk 37 percent since 1973. From 1973 to 1993, the average workweek—including commuting—increased from less than 41 hours to 47 hours.[4]

Three generations at work. By 2000, a new generation of workers will have entered the labor force. Fiercely independent, these "computer babies" will demand more autonomy on the job and brush aside many values of the older Baby Boom generation.

Just as the Baby Boom generation pulsed through society in the 1960s and 1970s and rocked the institutions established by the prewar generations, the computer babies will sweep through the workplace, bringing their own set of values, and the workplace will have to adjust. The Baby Boomers, now in power, must meet the challenges of this new group—just as they once demanded that their needs be recognized and met.

The prewar generation grew up in a power hierarchy where they worked their way up the ladder of success. The Baby Boomers established quality circles and teams in an effort to champion participatory management. The next generation of workers will value autonomy and want to work with minimal supervision.[5]

Changing work expectations. When people from different generations are asked why they work, their responses correspond to their ages. The prewar generation got a job done because it was good for the country and good for the nation. The Baby Boomers are looking for personal growth and getting a "meaningful experience" from a job. The computer babies want to get a job done so that they can use their own leisure time more satisfactorily. They will come to expect flexible, comprehensive benefits programs that meet their personal and professional needs.

Employees of the next generation will be "self-developers"—more interested in solving problems, acquiring new skills and knowledge, and being mobile. They will not be as attuned as other groups to moving up the corporate ladder and measuring rewards in increments. This will not be the result of age as much as the result of their background. As children of two-income families, they had less of the traditional division between home and work. They will tend to work more when at play, and play more when at work.

Focus on personal goals. The next generation of employees will demonstrate an increasing need for different kinds of goals: attaining a healthy

personality and psychological completeness. Their primary focus will be on personal goals, inner values, and the creation of distinct lifestyles. Their managers may find them difficult to supervise, because the computer babies will have more loyalty to personal goals and inner rewards than to corporate objectives.

Senior managers today grew up under a contract of total loyalty to the employer in return for a good salary and job security. The new workers will not be as interested in job security, salary, and location as they will be in trade-offs such as flexible benefits, flextime, continual education and training, and child-care assistance to meet their lifestyle needs.

According to a recent survey, nearly two-thirds of 1,000 workers surveyed would be willing to reduce work hours and salaries up to 25 percent to have more family and personal time. Sixty-four percent of women and 45 percent of men said they would not be likely to accept a promotion if it meant spending less time with their families.[6]

BENEFITS FOR THE NEW WORKFORCE

As workers' values change, so will the benefits programs of colleges and universities as they recognize that one size does not fit all. They will have to provide flexible and more choices, such as the option to trade or sell vacation time. Some institutions, in response to pressures on families, will allow emergency time banks where employees may place unused vacation or sick time for use by others who have exhausted their allocated time caring for family members.

Alternative working arrangements will increase in importance as employee lifestyles shape employers' policies. With the advances in technology, the "virtual office," and increasing traffic congestion in major cities and suburbs, telecommuting will become an obvious solution. Job sharing and compressed workweeks will be available. Flextime will make it possible for employees to run important errands or take care of emergencies during the work day.

A college or university that permits flexible work schedules can be an attractive place for workers with family responsibilities. Faculty members usually have a great deal of flexibility in their work schedules, and some of this flexibility can be provided to staff. For example, a flextime program can permit staff to accommodate personal needs. Such flexible scheduling could also include compressed work weeks. (See chapter 6, Flexible Work Alternatives, for a full discussion of this subject.)

Institutions should consider establishing more part-time jobs, especially to accommodate workers with dependent care responsibilities who cannot or prefer not to work full time. Consideration should also be given to

allowing two people to share a job to accommodate family responsibilities. Some colleges and universities have filled faculty positions with a husband and wife team to permit both parents to share child-care responsibilities.

In addition to flexible work alternatives, employers must consider the following nontraditional benefits. Many of these benefits are currently offered by for-profit businesses, and they can easily be implemented by colleges and universities.

CHILD- AND ELDER-CARE RESOURCE AND REFERRAL PROGRAMS

Colleges and universities should establish child- and elder-care resource and referral programs to help their faculty and staff quickly identify acceptable options. This is particularly helpful in attracting and retaining women.

Many employers provide "enhanced" services, in which a referral agency conducts interviews to determine a family's preferences and scheduling needs and the special needs of a child needing care. Based on that interview, the referral service matches the family's needs with licensed child-care providers and identifies providers with current vacancies. The vacancies are held for a specific period of time, often 48 hours, so that the family can explore the various options and make a selection.

Elder-care referral services are similar in that they provide information about places that provide on-site care. In addition, elder-care services provide information about where to get an assessment of an elderly relative's ability to function independently. Referrals can also be provided for adult day care, long-term care arrangements, and respite care—someone to temporarily stay with an adult needing care, thereby giving the primary care giver a break from these responsibilities.

Some child- and elder-care resource and referral services also sponsor workshops and discussion groups for faculty and staff experiencing parenting or elder-care concerns. Frequently they also provide a lending library covering child care and development, parenting topics, caring for aging relatives, and other work and family issues.

On-site child and elder care. Many colleges and universities already provide on-site child care for students and employees, especially when the local community does not have sufficient or appropriate child-care services to meet their needs. Some employers also offer adult day care to ease the burden of staff with elderly dependents. Innovative employers have combined child- and elder-care services into adjacent facilities and created opportunities for the young and the old to benefit from each other's presence.

If on-site child care is not an option, employers may purchase slots in nearby centers. Colleges and universities that can afford it and that seek an equitable response to child care might develop voucher programs to reimburse employees with household incomes under a certain amount.

Sick-child care is an unmet need in most communities. A child who is ill cannot attend regular child care needs or school, and may require more skilled care than regular day care can provide. Colleges and universities should develop ways to meet this need. One way is to have a pool of people who are available to provide such care in the employee's home. Another way is to enter into a consortium with other local employers, particularly local hospitals, to provide sick-child care. Some employers may allow employees to use sick days to care for sick children or reimburse employees for in-home sick/emergency child care. Others might set up emergency child-care centers on-site or make sick bays part of on-site centers.

FLEXIBLE BENEFITS PLANS

Administrators in colleges and universities should take advantage of federal tax laws that permit reimbursement of dependent care expenses with pretax dollars through flexible benefits plans. Under Internal Revenue Service regulations, pretax dollars can be used not only for dependent care expenses but also for medical expenses and for health, life, and disability insurance benefits. (See chapter 10, Heath-Care Benefits, for a full discussion of this subject.)

EMPLOYMENT ASSISTANCE FOR DUAL-CAREER COUPLES

It is becoming increasingly necessary for colleges and universities to provide employment assistance to the partners of faculty and staff who are being recruited from outside the geographic area. This assistance can be as simple as establishing a network of local employers and key contacts who are available to receive resumes of the partners. Some institutions have identified local career management firms to work with the partner to find a new position. Because people who are relocating lose most of their network of contacts, it is important that career management firms be able to provide partners with leads to potential employers quickly.

Some colleges and universities actually create positions for the partners of difficult-to-recruit faculty and staff. Or they give top priority to the placement of these partners in available openings. Each institution needs to examine its own priorities to decide whether such preferential hiring is realistic.

RELOCATION ASSISTANCE

In addition to providing employment assistance to dual-income families, institutions should assist newly recruited faculty and staff with other aspects of the relocation. When both partners are working, it is difficult for them to attend to the details of a move. House-hunting trips must be scheduled to accommodate two work schedules, for example. Employers should make services available to help identify van lines, realtors, brokers, and appraisers. These and other referral services can play a special role in recruiting new faculty and staff by helping them adjust to life in a new location.

SPECIAL PROGRAMS FOR MINORITIES

Many colleges and universities are experienced in recruiting minority students. Institutions will need to use even more creativity to recruit and retain minority faculty and staff.

Just as many institutions have developed programs to encourage minority students to be successful from preschool through high school, colleges and universities should develop programs with local school districts to produce graduates with the skills needed by the institution. In addition, internship and work-study programs should be used to give minority students an opportunity to learn what it is like to work for a college or university. Such work experiences can provide income and training for the student and the opportunity to evaluate the student for a regular position.

Colleges and universities should tailor their recruitment messages to appeal to minorities, and advertisements should be placed in publications aimed at minorities. It is important that such ads be for real jobs and that individuals who apply be given serious consideration.

Emphasis on cultural diversity. Diversity is becoming an explicit value in the U.S. In the past people tried to conform, to blend. Today, people are proud of their cultural heritage and try to accept differences in all aspects of society.

As the diversity issue comes to the attention of top management, colleges and universities should set up diversity councils to advise management on the barriers to advancement for these groups. To help assimilate the diversity trend, colleges and universities should introduce support groups and training programs for all levels of employees. Special management programs should be developed to help shatter "glass ceilings."

Diverse approaches to wellness and health benefits. Higher education's benefits and wellness efforts must account for the trend of increasing

workforce diversity. For example, programs must pay attention to reducing the risk of diseases that disproportionately affect minority groups, such as sickle cell anemia, which mostly affects African-Americans.[7]

Colleges and universities seeking to understand and value the increasing diversity of the workforce must give more thought to their employees' different cultural practices and beliefs about health and different needs for health services. To respond to these differences, institutions must:

- ▼ set up preferred-provider networks sensitive to the needs of minority workers;
- ▼ use understandable terms to promote programs; and
- ▼ include representatives of different age and racial groups in promotional materials.[8]

SPECIAL PROGRAMS FOR FACULTY

Adjusting to a new academic institution can be particularly challenging for minority and women faculty. These faculty can benefit from various forms of support. Lists of new faculty should be provided to special faculty organizations so they can welcome and provide support to new faculty. Experienced faculty, familiar with the politics of the institution should act as mentors to new faculty.

Formal educational programs will help new faculty understand the culture of the institution and help current faculty appreciate diversity. Early in their careers, new faculty need to be advised about how to make choices between the competing demands for their time—choices that will lead to successful tenure and promotion. If research is an important criterion for tenure and promotion, faculty need advice about how to win research support and grants and how to publish the results of their research.

Even after receiving such advice, minority and women faculty often have difficulty utilizing it because they have greater demands for their time than do other faculty. Formal demands include frequent committee assignments or requests to participate in community activities. On an informal basis, minority and women faculty may be more frequently sought by students—male and female, majority and minority—for advice. Tenure and promotion criteria that reward service and advising can compensate for these greater time demands. When that is not possible, some institutions have given minority and women faculty relief from teaching responsibilities to do research early in their careers to compensate for other time demands.[9]

Special programs for women faculty. During the past few years, a

number of colleges and universities have changed their tenure and promotion policies to accommodate the needs of women who are also mothers. They have lengthened the time that faculty with family-care responsibilities have to develop records on which tenure decisions are based. Some institutions permit an automatic one-year stopping of the "tenure clock" for any woman who gives birth and asks for the additional time. The clock can also be stopped for any faculty member who can demonstrate significant family care responsibilities.

Another new policy, called "modified duties," has been implemented by some colleges and universities for faculty members who are pregnant. Under such a policy, a woman is not given any teaching responsibilities during the term her child is expected. These policies not only benefit the mother-to-be, but also benefit students, whose classes are not disrupted because of the midsemester absence of a faculty member who gives birth.

ASSISTANCE FOR PEOPLE WHO ARE PHYSICALLY OR EMOTIONALLY CHALLENGED

The Americans with Disabilities Act (ADA) requires employers to make "reasonable accommodation" for a "qualified individual with a disability." Necessary accommodations include modifications of existing facilities and equipment in work and nonwork areas so they are accessible to individuals with disabilities. Job restructuring and reassignments should be made to accommodate specific disabilities. Granting unpaid leaves for medical reasons is also considered a reasonable accommodation. Supervisors and coworkers must be trained to understand that disabilities are not just impairments of manual dexterity, but may be impairments of mobility, vision, hearing, or mental or psychiatric disorders.

Employees with chronic illnesses. Employees with chronic illnesses also must be accommodated, as long as the person remains able to perform the "essential functions of a job." ADA covers individuals "regarded as having a covered impairment": those who do not have an impairment but are treated as though they do; for example, a gay applicant who may be assumed to be infected with HIV. Accommodations must be made for individuals with illnesses that are under control—for example, someone whose high blood pressure is medically controlled.

In general, colleges and universities must provide "reasonable accommodation" to permit an employee to perform essential job functions and to permit a disabled faculty or staff member to enjoy the benefits and privileges of employment "equal to" those afforded to similarly situated faculty and staff.

ACCOMMODATING OLDER WORKERS

When college and university administrators think about older workers they focus on two concerns. One is the demise of mandatory retirement for tenured faculty effective December 31, 1993, as a result of the Age Discrimination in Employment Act. A competing concern is the documented decline in the number of available workers, particularly those with the education and training necessary to be faculty members.

The National Academy of Sciences Committee on Mandatory Retirement in Higher Education predicts that the demise of mandatory retirement will have a minimal impact on the average age of faculty retirements.[12] Each institution must examine its own retirement patterns to predict whether those patterns will change, and design its programs to attract and retain the workforce of the future.

Elder-care referral services are important to an aging workforce. Another important benefit is long-term care insurance. Institutions can provide an opportunity for individuals to purchase this insurance for themselves, their partners, and their parents and in-laws.

The flexibility in work schedules that is attractive to faculty and staff who have family responsibilities is also useful to retain older workers who wish to try other interests as they phase into retirement. Flexibility can be provided through flextime arrangements, as well as through formal phased retirement programs.

Once a faculty or staff member has retired, many institutions use retiree job banks or consultant pools to bring them back to teach specific classes or to work on special projects. These efforts may become more critical as the number of new workers decline.

Retirees today versus retirees tomorrow. As employers design benefits packages for the next generation of retirees, they will find that the Baby Boomers' attitudes toward retirement is very different from that of the generation that preceded them. Many Baby Boomers have abandoned their parents' habits of saving, delaying self-gratification, and making sacrifices. They have learned to spend their money fast and borrow rather than save. While every index of real income has declined during the past 15 years, boomers' consumption shot up 15 percent. Boomers will probably continue these spending styles in their older years.

The attitudes of today's retirees and those of tomorrow differ in significant ways, as shown in figure 11.1.

Flexible retirement options. Employers need to rethink early retirement incentives. Some institutions will need to implement late retirement incentives to encourage older workers to stay on. Other ways to retain older

workers include gradual retirement programs—where workers move from five-day to four-day to three-day weeks until they finally retire—or rehearsal retirement, where preretirees spend a short period of time living as they plan to in retirement to evaluate it. Companies using this option have found that up to 50 percent of those who rehearse their retirement choose to return to work full or part time.

Life after retirement. Elder-care programs will become more common as more employees need elder-care information and referral services. In the corporate world, few companies have set up company-sponsored retirement communities, but many companies that have been leaders in on-site child care have taken the next step to intergenerational care and invited employees to escort both children and parents to company-sponsored adult and child care centers. A more popular route to assisting the employee care giver will be to incorporate long-term care insurance into flexible benefits plans, so that employees can cover themselves and their aging relatives.

FUTURE TRENDS

The projected changes in the workforce will lead to a broader definition of compensation and benefits. College and university benefits structures will have to change radically. Skills-based pay—compensation based on the number, kind, and depth of skills—may replace job-based pay. Variable merit pay, alternative rewards, and nonfinancial recognition may also become commonplace.

Employer-provided benefits will become less common than employer-sponsored benefits. Employees could receive the total value of their compensation in cash and then purchase desired benefits in pretax dollars, with a minimum benefits coverage stipulated. Employers could provide the administrative mechanisms to obtain benefits; by using this method, they would create a more direct relationship between the costs of benefits and the value received.

As employers move toward a new approach to human resources management, they will explore more and more new trends, such as:

- ▼ Partnerships with employees, rather than paternalistic approach
- ▼ A life cycle/generational approach to benefits design
- ▼ A proactive approach to wellness and preventive care

FIGURE 11.1

TODAY'S RETIREES VERSUS TOMORROW'S RETIREES

	Today's Retirees	Tomorrow's Retirees
Savings	Looked to the future and saved their money Memories of Depression made them determined savers	Live for the moment and spend their money Too busy to plan for retirement and too broke to save
Work life	Worked during country's robust years of postwar economic growth	Change jobs more often; have witnessed inflation, layoffs, stock market crash; feel retirement planning not worth the effort
Employer benefits	Worked for one employer when employers were generous with benefits	Work for multiple employers who cut benefits and shared costs
Housing costs	Investment in homes yielded return many times greater than inflation; low interest rates were underwritten by the federal government	When they buy homes, the price goes up; when they want to sell, price goes down
Social Security	Benefits are secure for next 20 years	Doubt that system will support them
Child care/ elder care	Services provided by family members	Pay for services once provided by family members
Families	Spawned the Baby Boom	Spawned the baby bust
Work/leisure	Good balance between work and leisure	Average work week has increased; leisure time has decreased
Retirement years	Planned for retirement	Believe retirement is not for them, but for older people
Promotions	No trouble finding good jobs and quick promotions in postwar expansion	Many caught in flattening corporate pyramids as companies downsize
College	Many of their children went to college under the GI Bill	Many postponed childbirth, so will be paying for children's college in their 60s

Source: David Kirkpatrick, "Will You Be Able to Retire?" in *Fortune Magazine* (July 31, 1989): 56-66.

- Inclusion of items such as education, training, and job security in the benefits package
- Redesigned benefits packages that include work/family benefits
- Greater use of consortia, joint ventures, and alliances with other colleges and universities to serve employees' needs
- Time-saving benefits and on-site conveniences

Colleges and universities have tended to lag behind other employers in designing and implementing comprehensive and flexible benefits. By studying the trends in the workforce and the programs and policies designed by cutting-edge employers, college and university administrators will more easily tackle the challenges of the 21st century.

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12

RETIREMENT PROGRAMS AND ISSUES

Colleges and universities face greater challenges in the design and delivery of retirement benefits today than at any time in recent memory. These challenges have arisen partly because, after January 1, 1994, higher education institutions will no longer be able to mandate that faculty retire at age 70. The reliance on defined contribution plans in many of these institutions and the nature of tenure may complicate the orderly retirement of older faculty who become superannuated. This raises questions of productivity and cost on the operational side of education, and of quality of services provided on the academic side.

Many academic employers are also faced with expanding investment options in their defined contribution plans. Some that formerly provided retirement benefits only in the form of an annuity now offer lump-sum benefits. Given the phenomenon of later retirement, which is prevalent in some institutions, the relatively late determination of benefit form may result in the broad selection of lump sums by retirees who can anticipate short periods of survival in retirement. If retirees who have long lives are the predominant users of annuities, many employers will face the prospect of providing annuities at less favorable rates than they currently offer. Lower annuity rates will raise the cost of providing adequate retirement income security for future retirees.

Regulatory and disclosure requirements will add further challenges to college and university administrators. Federal legislation and regulations in the 1980s have forced many employers to restructure their retirement

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programs to meet new standards. In many colleges and universities, new pension discrimination standards have complicated the delivery of retirement benefits to faculty and professional staff. Some public policy analysts, frustrated that existing laws do not go far enough in leveling the distribution of benefits, continue to push for even stricter limits on the benefits that employers can offer to their highest paid staff.

The issues caused by the changes in the law and regulations governing retirement programs will seem minor in comparison to the problems that will become apparent as private colleges and universities disclose their retiree health benefit obligations under Financial Accounting Standards Board (FASB) Standard No. 106. Retiree health benefit obligations are the single biggest liability for many employers, a liability for which they cannot effectively lay aside assets to cover the future flow of expenditures. Public employers are not subject to Standard No. 106, but the Governmental Accounting Standards Board (GASB) is expected to promulgate similar requirements in 1994. Drastic reductions in retiree health benefit plans may be one way out of the dilemma these regulations pose, but such reductions will further complicate the retirement of older workers in cases where benefits are provided on a more generous basis to active workers than to retirees.

The current environment poses significant challenges to college and university financial administrators. Furthermore, the prospect that revenues will not grow as rapidly as they did in the 1980s suggests that review of existing expense budgets is warranted. Financial officers must revisit the underlying motives and structure of existing retirement plans. This review should encompass the kinds of retiree benefits being provided (both cash and in kind), the level of benefits, the sharing of costs, and the form in which retirement benefits are offered.

BACKGROUND

The structure of college and university retirement plans is the product of a unique history. The early evolution of higher education pensions paralleled the development of pensions in the industrial sector of the economy. Initially, pension provisions were handled on an individual basis. By the beginning of the 20th century, Yale, Harvard, Cornell, and a number of other private colleges and universities had established retirement plans.[1] The predecessors of state and local retirement plans were voluntary employee benefit associations set up on behalf of police officers and school teachers. The earliest recorded plan was established in New York City in

1869. In 1911, Massachusetts established the first statewide retirement plan for nonteaching employees; it enacted a system for teachers in 1913.[2] After that, the availability of public retirement programs gradually grew.

Around the turn of the century Andrew Carnegie became concerned about the low level of wages that persisted among faculty in higher education. He felt their pay was so low they often could not provide for their old age. In 1905, with an endowment of $10 million, he established a free pension system for college professors.[3] Operating under the charter of The Carnegie Foundation for the Advancement of Teaching, the trustees of the free pension system set about establishing eligibility conditions and benefit levels. By 1906, 52 institutions had been accepted, allowing their staff members to receive a pension when they met individual eligibility criteria. The number of colleges and universities covered grew to 73 by 1915, and ultimately to 96.[4]

The trustees for this free pension system set up a defined benefit plan that paid benefits to professors attaining age 65 after 15 years of service. In 1932, the system was closed to new entrants because it was more expensive than originally anticipated. The Carnegie Foundation contributed significant additional money to the system over the years. By June 30, 1989, the free pension system had paid out nearly $87 million in benefits. At that time, 68 persons were still receiving benefits from the program—one retired professor and 67 widows.[5]

As the trustees became increasingly aware of the long-term financial prospects for the free pension system, the Carnegie Foundation for the Advancement of Teaching undertook a series of pension studies. By 1917, the foundation had concluded that "a contributory system of annuities is the only one which society can permanently support, and under which the teacher shall be sure of his protection."[6] From this conclusion evolved an employer-sponsored contributory retirement system that provided individually owned, fully funded annuities, known as the Teachers Insurance and Annuity Association (TIAA) of America. TIAA got underway in 1918 as a contributory plan, although the Carnegie Foundation continued to provide some periodic support to its operations until 1958. The association's companion, the College Retirement Equities Fund (CREF), was established in 1952, giving participants access to variable annuities based on equity investments.

The results of a TIAA-CREF survey, as reflected in figure 12.1, suggest that, by 1978, pension coverage among higher education institutions in the United States had reached nearly universal proportions, not only for faculty members, but for administrative and support staff as well.[7]

FIGURE 12.1
RETIREMENT PLANS IN HIGHER EDUCATION

Employee Class Covered	Percentage with Retirement Plans: Institutions	Employees
Four-Year Institutions		
Faculty	97.0%	99.7%
Administrative	96.4	99.7
Clerical/service	90.2	98.9
Two-Year Institutions		
Faculty	98.0	99.2
Administrative	98.0	99.3
Clerical/service	95.6	98.8

Source: Francis P. King and Thomas J. Cook, *Benefit Plans in Higher Education* (New York: Columbia University Press, 1980), p. 30.

THE STRUCTURE OF HIGHER EDUCATION RETIREMENT PROGRAMS

The 1978 TIAA survey of retirement systems in higher education, the most recent comprehensive body of information on the types of plans that educational institutions sponsor, indicates that many institutions offer more than one retirement plan. Public institutions often allow employees to choose among various plans. At many public institutions, faculty and administrators are able to participate in TIAA-CREF instead of, or in addition to, whatever state or local plan is available. In most instances, the public retiree systems, whether they are for general public employees or specifically for teachers, offer defined benefit plans. TIAA-CREF is a defined contribution system.[8]

Faculty members at four-year institutions are most likely to have TIAA-CREF coverage. Independent colleges and universities are significantly more dependent on TIAA-CREF for providing faculty and administrative staff retirement income security than are public institutions. Among two-year institutions, which are predominantly public community colleges,

faculty members and administrators are most likely to be covered under a teacher retirement system, while clerical staff are likely to be covered under a public employee retirement system.

A more recent but more limited survey of institutions of higher learning also found a strong relationship between institutional structure and the retirement programs sponsored.[9] The plans offered by the colleges and universities participating in the survey and the nature of the institutions are shown in figure 12.2. Only about 5 percent of independent institutions offer a defined benefit plan, whereas 80 percent of public institutions do. While 19 percent of public universities and colleges sponsor only a defined contribution plan, 52 percent offer a combination of defined benefit and defined contribution plans.

DEFINED BENEFIT VERSUS DEFINED CONTRIBUTION PLANS

The relative merits of defined benefit and defined contribution plans have been debated for years. An employee evaluates a plan on the basis of its delivery of an adequate stream of retirement income under reasonable career conditions. An employer evaluates a plan on the basis of its productivity effects on workers, its costs, and how plan funding integrates with the overall financing of the employer.

FIGURE 12.2

INSTITUTIONAL RETIREMENT PROGRAMS BY CONTROL OF INSTITUTION, 1987-88

	Public		Independent	
Retirement Plan	Number	Percentage	Number	Percentage
Defined Benefit	12	28.6%	2	3.4%
Defined Contribution	8	19.0	55	94.9
Both Types of Plans	22	52.4	1	1.7
Total	42	100.0	58	100.0

Source: G. Gregory Lozier and Michael J. Dooris, *Faculty Retirement Projections Beyond 1994, Effects of Policy on Individual Choice* (Boulder, Colorado: Western Interstate Commission for Higher Education, 1991) pp. 4-6.

The typical defined benefit formula bases benefits on average wages prior to termination. For a young worker, the present value of a benefit paid in the future based on early career salary is relatively small. For a worker who changes jobs frequently, the present value of several retirement benefits accumulated over many jobs will be smaller than if he or she works for only one or two employers over most of his or her career. Because of these characteristics, defined contribution plans are preferable for workers with mobile work patterns. Benefits accumulated under defined contribution plans tend to be more portable than defined benefit accruals. The typical defined contribution plan provides more rapid accumulation early in the career. Because defined contribution plans provide greater benefits to mobile workers, however, they are not as effective at concentrating retirement benefits on long-career workers—that is, employer funding tends to be somewhat more concentrated on employees who actually meet the plan retirement criteria under a defined benefit plan than under a defined contribution plan.

Because of the heavy discounting of the value of benefits for workers who leave an employer prior to eligibility, defined benefits plans are thought to have a stabilizing effect on worker turnover. In addition, defined benefit plans can be more easily structured to affect the behavior of workers when they actually reach retirement age. In the case of defined contribution plans, profit sharing plans and stock bonus plans affect productivity by giving the recipients a financial interest in the success of the sponsor's enterprise. The traditional retirement savings plan, like those commonly found in higher education, however, does not have much of an affect on productivity.

Another difference between defined benefit and defined contribution plans relates to the integration of plan funding with the broader financing strategies of the sponsoring institution. The high prevalence of defined contribution plans among private colleges and universities probably represents a risk diversification strategy. These institutions depend on a combination of contributions, endowment income, and tuition payments to meet their operating costs. Contributions and endowment income are related to overall performance of financial markets. Employer contributions can also be driven by financial market performance. Independent colleges and universities that are largely dependent on defined benefit retirement plans face the prospect that contributions to the plans might increase at the same time that income from contributions and endowments is declining. Because public universities and colleges are not very dependent on market-driven forces for their overall funding, the prevalence of defined benefit plans at these institutions is not surprising.

Financial performance and risk play roles in the desirability of the different types of plans from the employee's perspective. Prior to retirement, the sponsor of a defined benefit plan assumes the investment risk. The nature defined benefit is a benefit related to preretirement pay. If the investments laid aside to fund the promised benefits do not perform as expected, the sponsor has to make up any shortfall. Of course the opposite is true as well, and the sponsor can reap the benefit of unexpectedly high returns on assets. With the defined contribution plan, the sponsor off-loads the investment risk to the worker.

The prevalence of defined contribution plans among private colleges and universities almost certainly relates to the early role that the Carnegie Foundation played in establishing a faculty retirement program under TIAA. State and local institutions could allow their faculty to participate in the public retirement systems, but private colleges and universities did not have alternatives to TIAA, and later CREF, other than striking off on their own, an expensive proposition. The peculiar nature of the tenure system and the role that plan participants have had in the development of faculty retirement programs have almost certainly contributed to the popularity of defined contribution plans in higher education.

PLAN STRUCTURE AND RETIREMENT BEHAVIOR

The different attributes of defined benefit and defined contribution plans have led many for-profit employers to sponsor both types of plans. Over the last decade, there has been a proliferation of section 401(k) plans as private, for-profit employers have offered or expanded retirement savings programs supplementing the basic defined benefit programs that have been in place for years. Section 403(b) and section 457 plans provide similar flexibility for academic employers in designing their retirement systems.

The tax code has played a role in this diversification of retirement plan offerings. But many employers recognize that there has been increased mobility in the workforce and have diversified their retirement savings portfolios to accommodate the needs of more mobile workers. Also, employers realize that some workers save at higher rates for their retirement than do others because of income, age, or a host of other factors, and that defined contribution programs offer more flexibility than do traditional defined benefit programs.

A primary reason many employers remain committed to defined benefit programs is that these programs are generally perceived to contain more effective retirement incentives than defined contribution programs. A large majority of the defined benefit plans in operation in the U.S. today include

incentives that encourage workers to retire, many before they reach the normal retirement ages specified in the plans. In a recent survey of more than 900 employers, the Wyatt Company found two-thirds of the employers sponsored defined benefit pension plans and 70 percent of them subsidize early retirement.[10]

The ability to provide incentives to encourage the retirement of older workers might not have been so important 15 years ago when many employers with pensions had mandatory retirement provisions. Today, this issue has taken on increased importance as the ability to retire workers on the basis of age has been largely restricted. The age discrimination laws that have protected academic institutions are about to expire. The ability to get older workers to retire on a systematic and predictable basis is important. The retirement incentives inherent in faculty retirement plans may become increasingly important in the future.

RETIREMENT PLANS IN COLLEGES AND UNIVERSITIES

The majority of workers in public colleges and universities are covered under public plans. In most cases, these plans are defined benefit pensions. In addition to, or instead of, the public defined benefit plan, many faculty members can participate in TIAA-CREF. Also, in recent years, many public employers have offered their employees the opportunity to participate in supplemental defined contribution savings programs. In private institutions, on the other hand, the overwhelming majority of faculty and the majority of clerical and service workers are covered under TIAA-CREF.

College and university employees covered under public plans are generally covered under a retirement system for general public employees, or one specifically targeted at teachers. In some states, all public workers are covered under a single plan. In many cases where there are separate plans for teachers and other public workers, the formulas for determining benefits are identical or quite similar. The majority of plans provide benefits that are not integrated with Social Security. Most of the plans' benefit formulas provide 1.5 to 2.0 percent of final average pay for each year of service covered under the plan. The institutions that provide benefits in excess of 2.0 percent are public institutions whose employees are not covered under Social Security. Most of these plans require employee contributions, typically around 5 percent of pay.[11]

The college and universities using TIAA-CREF as a retirement vehicle make regular contributions to the plans based on the covered employee's pay levels. A recent analysis published by TIAA-CREF indicates that, for 85 percent of the faculty participating, contributions are at a fixed rate,

depending on the institution where the individual is employed. In approximately 15 percent of the institutions, a step-rate contribution is made. Under step-rate plans, the contribution on one portion of the salary, generally related to the Social Security earnings base, is less than the contribution on the other portion.[12]

RETIREMENT INCENTIVES IN HIGHER EDUCATION RETIREMENT PLANS

An example will show the differences in retirement incentives in these various plans. Two people who turn age 60 in 1993 have been employed at their academic institutions for 20 and 30 years, respectively. Both would earn $55,000 in 1993 if they chose to work. While this earnings level is significant for determining the relative value of Social Security in retirement, it is not significant in comparing the relative value of the benefits provided by the employer-sponsored retirement plans.

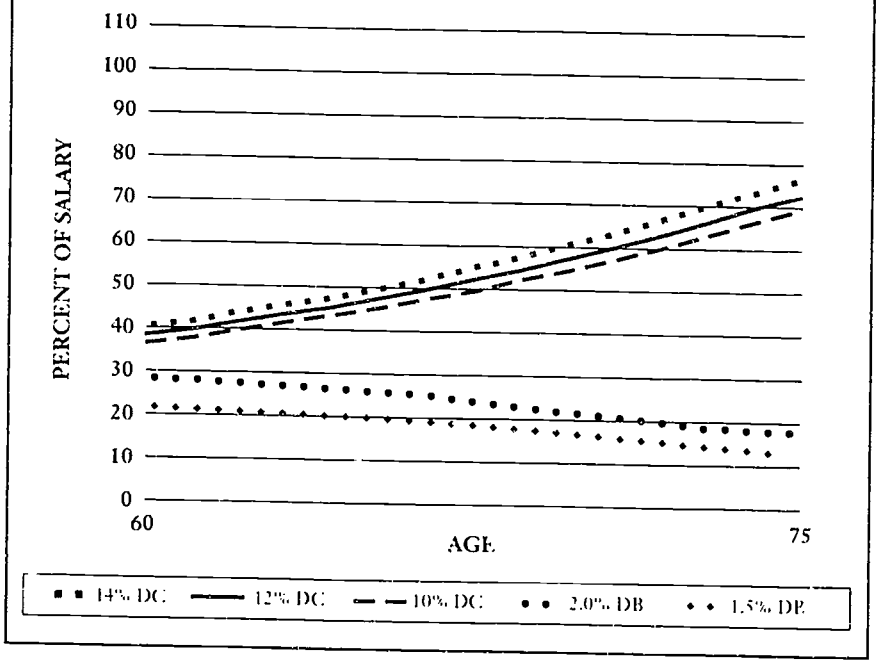
As the workers have approached retirement they have received pay increases of 4 percent per year during recent years, and would continue to receive pay increases in this amount in the future. Inflation would occur at a rate of 4 percent per year, meaning that the real cash wages of these two people would be constant in future years. Accumulations in defined contribution accounts would realize an 8 percent rate of return.

Figure 12.3 shows the present value of the workers' retirement benefit accruals based on their continuing to work between the ages of 60 and 75, using an 8 percent discount factor and a blended mortality rate that reflects the average life expectancy of men and women. The results reflect the situation faced by the individual with 20 years of service at age 60. Figure 12.3 reflects the change in the value of the retirement benefits accumulated by working beyond age 60 under five different retirement plans. The changes in values earned from each additional year of work are presented as a percentage of salary in the year prior to each attained age. As the workers decide to work or retire, they must consider the potential value of an added year of work.

The bottom line in figure 12.3 shows that if this worker stays employed during the year in which he or she is 60 years of age, the value of his or her pension benefit will increase by approximately 20 percent of the pay earned in the last year. This formula provides a benefit of 1.5 percent of the average of the final three years' earnings for each year of covered service. If this worker continues to stay employed under the plan beyond age 60, there is a gradual decrease in the rate of pension accrual relative to salary, to the point that it would amount to only about 13 percent at age 75. In other words, the

FIGURE 12.3

RETIREMENT BENEFIT ACCRUALS AT SELECT AGES AS PERCENTAGE OF SALARY FOR A WORKER WITH 20 YEARS SERVICE AT AGE 60 UNDER VARIOUS PLANS



supplemental benefits provided through the pension decline as the worker ages.

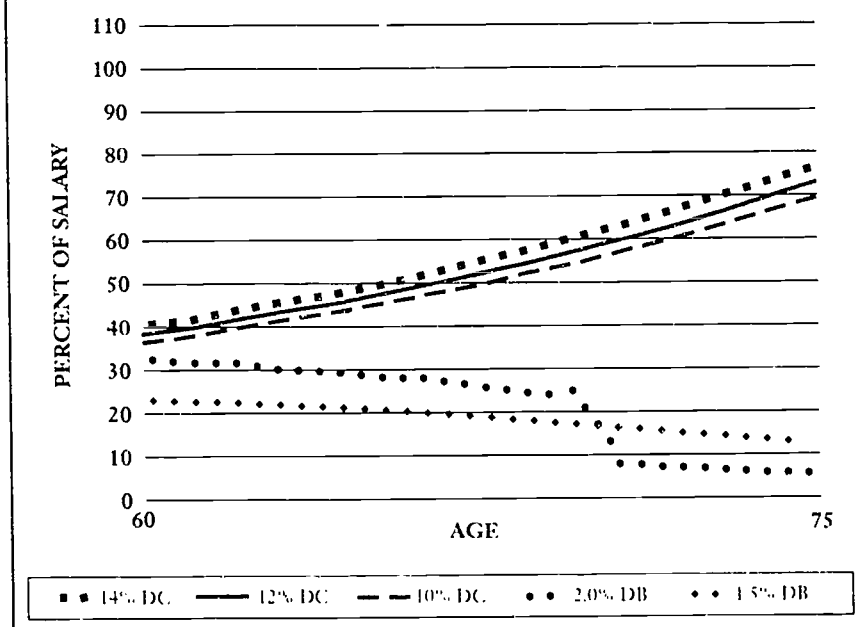
The second line from the bottom shows the accrual pattern under a pension formula that provides 2 percent of the average of that final three years' earnings for each year of covered service. This plan provides an accrual that is about one-third more generous than under the prior formula, but it reflects the same pattern over the potential period of extra work. The top three lines reflect the increase in the present value of retirement plan accumulations as a percentage of prior year earnings in defined contribution plans in which contributions are made at three different rates. Assuming an accumulation at age 65 that would provide the worker with an annuity that is equivalent to 50 percent of the prior year's earnings, the value of the accumulated benefits in earlier and later years can be estimated.

The third line reflects accumulations in plans where contributions are 10 percent per year, the second line from the top reflects contributions of 12 percent, and the top line reflects contribution rates of 14 percent. The pattern of growth in the value of the retirement benefits under these plans is the opposite of that under the defined benefit plans. For each additional year that the individual works, the retirement accumulation as a percentage of earnings actually increases. Staying beyond age 70 results in accumulations that amount to 60 percent of annual earnings, a tremendous incentive to delay retirement.

Figure 12.4 reflects the accrual patterns of the worker who has 30 years of service under the retirement plans at age 60. The dip in the line for the 2 percent defined benefit formula is the result of the worker's capping out on

FIGURE 12.4

RETIREMENT BENEFIT ACCRUALS AT SELECT AGES AS PERCENTAGE OF SALARY FOR A WORKER WITH 30 YEARS SERVICE AT AGE 60 UNDER VARIOUS PLANS



replacement of final average earnings at 80 percent. A service or percentage of pay cap on benefits is a common feature in defined benefit plans. Beyond that age, the increase in accruals occurs because this worker's wages continue to grow, thus gradually increasing the accrued benefit. In this case, there is almost no added pension value to the extension of the working career beyond age 70.

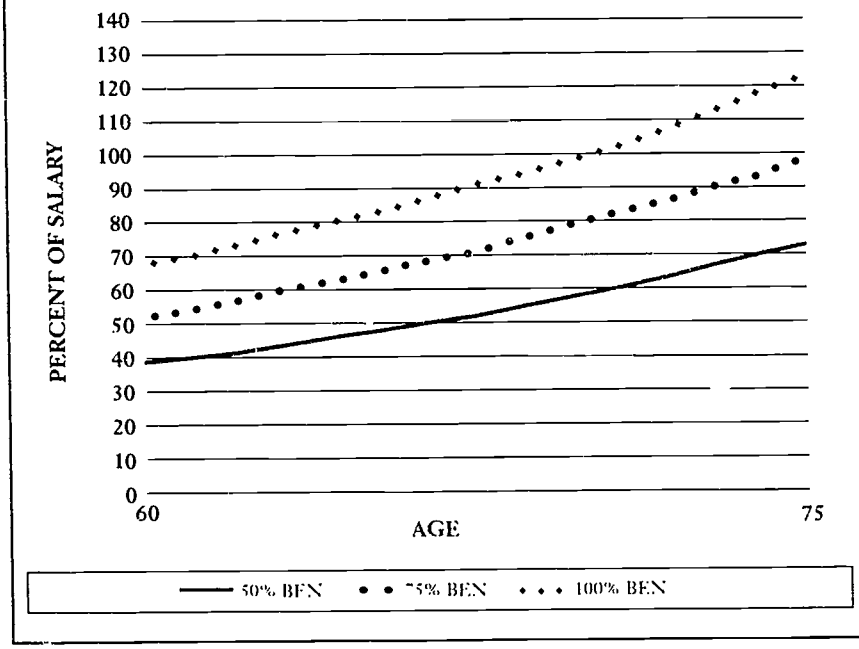
In their analysis of retirement issues, the Faculty Committee on Retirement at the University of Chicago analyzed 21 recent retirees to see what percentage of preretirement income was being provided by their basic retirement program. The number of years of service at retirement ranged from 16 to 48, with a median of 30 years. The committee found that the percentage of preretirement income received as an annuity, not including Social Security or any supplementary retirement accounts, ranged from 53 to 122 percent, with a median of 76 percent.[13] A sample of 21 individuals is relatively small for purposes of drawing broad conclusions, but the variation and median years of service seem reasonable. The contributions to TIAA-CREF at the University of Chicago are 12.5 percent of salary, which puts it in the middle of the pack among the contribution rates to TIAA-CREF.

Figure 12.5 shows the retirement benefit accrual rate as a percentage of salary under a defined contribution plan, where contributions are being made at a rate of 12 percent of salary per year. The bottom line reflects an accumulation of benefits that would purchase an annuity that would replace 50 percent of the prior year's salary for an individual retiring at age 65. If the individual retired earlier, it would replace a lower percentage of earnings, and if he or she retired later, it would replace a larger percentage. The middle line reflects an accumulation that would replace 75 percent of preretirement earnings at age 65. The top line reflects an accumulation that would replace 100 percent of preretirement earnings at that age. This figure represents the range of retirement accumulation incentives that employers sponsoring TIAA-CREF or similar defined contribution benefits would be offering to older workers with fairly long tenures around the ages normally associated with retirement.

Figures 12.3, 12.4, and 12.5 are a slight misrepresentation of what really happens. The federal tax law requires that participants in tax-qualified retirement plans, including section 403(b) plans, start taking a distribution from their programs once they reach age 70 years and 6 months, unless they reached that age before January 1, 1988, in which case they must begin taking benefits once they retire. In actuality, accumulations are tempered by the distributions that begin when the worker reaches age 70. For the near future, in the first year the minimum withdrawal is less than 4 or 5 percent of the total

FIGURE 12.5

RETIREMENT BENEFIT ACCRUALS AT SELECT AGES AS PERCENTAGE OF SALARY FOR A WORKER WITH 30 YEARS SERVICE AT AGE 60 AT VARIOUS ACCUMULATION LEVELS



plan balance, probably less than the total earnings accruing to the plan, and almost certainly less than combined contributions and plan earnings. While the plan distributions are taxed as regular income when received, they can be reinvested in other tax-sheltered assets that will allow continued accrual of wealth. At age 70, individuals also begin to receive Social Security benefits, because the earnings test is not applied on individuals continuing to work once they attain that age.

REGULAR RETIREMENT BENEFIT STRUCTURE AND RETIREMENT BEHAVIOR

Faculty retirement patterns can be affected by the structure of retirement programs offered by employers. Figure 12.6 reflects the retirements at 101 colleges and universities. On average, faculty retirement ages in institu-

FIGURE 12.6

AVERAGE AGE AT RETIREMENT BY INSTITUTION'S 1987-88 RETIREMENT PLAN

Academic Year	Defined Benefit Plan Only	Defined Contribution Plan Only	Both Types of Plan
1981-82	62.7	65.1	63.2
1982-83	64.0	65.1	63.1
1983-84	62.8	65.4	62.7
1984-85	63.2	65.4	62.1
1985-86	62.6	65.3	62.5
1986-87	64.0	65.1	62.9
1987-88	62.4	65.6	62.9
Overall	63.1	65.3	62.7

Source: G. Gregory Lozier and Michael J. Dooris, *Faculty Retirement Projections Beyond 1994, Effects of Policy on Individual Choice* (Boulder, Colorado: Western Interstate Commission for Higher Education, 1991), p. 18.

tions offering a defined benefit plan are two to two-and-a-half years younger than in those offering only a defined contribution program.

MAKING SENSE OF RETIREMENT INCENTIVES

When an employer provides a subsidy to a worker for retiring at a certain point in time, it implies that the worker will suffer a penalty—that is, lose the subsidy—for working beyond that point. Laurence Kotlikoff and David Wise conclude that the inherent structure of defined benefit plans has "contributed very substantially to the reduction in the labor force participation of older workers."[14] The structure of defined benefit retirement plans suggests that plan sponsors tend to encourage their workers to begin retiring once they reach a certain age. Among larger, for-profit entities, the age at which these incentives are of greatest value tend to be between the mid-50s and early 60s.

One explanation for the structure of defined benefit pensions is that employers have concluded, at least implicitly, that worker productivity begins to decline as workers reach their mid- to late-50s. Of course public policy pressures and the desires of workers in pursuing earlier and earlier

retirement opportunities should not be overlooked. But, in evaluating the structure of private and public pensions in the U.S., the productivity of older workers deserves more scrutiny than it has received thus far.

In 1990, the Wyatt Company surveyed 1,800 chief executive officers, chief financial officers, human resources directors, and other senior executives in large U.S. firms on a variety of human resources issues. When asked about the effect of increasing age on worker productivity, 23 percent indicated age was unrelated to productivity, 3 percent indicated productivity increases with age indefinitely, and 74 percent indicated that productivity increases with age up to a point. Respondents who chose this latter response were asked if they could indicate the approximate age at which productivity begins to decline. The median age they indicated as the point at which productivity began to decline was 55.[15]

While there is some evidence that worker productivity does not decline with age, whether productivity is age related or not is almost immaterial if executives believe that it is so. The belief that productivity begins to decline at age 55 is consistent with the pervasive structure of corporate pension plans. Like it or not, corporate employers operating in a competitive environment have to take productivity considerations into account when designing their human resources management tools. It is unlikely that raising the work levels of older employees can undo the arithmetic of the competitive marketplace. Unless the executive community becomes convinced that older workers' productivity does not decline, pension plan sponsors will continue to offer workers retirement packages encouraging them to retire when declining productivity is thought to occur.

MANDATORY RETIREMENT AND PRODUCTIVITY IN ACADEMIA

Although the Wyatt Company only surveyed for-profit business executives, there is a parallel issue in academic institutions. Henry Rosovsky writes:

> No institution interested in preserving quality can tolerate a growing gerontocracy that necessarily brings with it declining productivity. The disastrous effect on young scholars surely needs no elaboration. If ever mandatory university retirement is deemed to be age discrimination, an alternative mechanism will have to be found to accomplish the same purpose.[16]

On January 1, 1994, colleges and universities will no longer be able to impose mandatory retirement on their employees, including faculty members. The elimination of mandatory retirement raises a number of important issues. Will older employees continue in their jobs significantly longer, on average, than they would if mandatory retirement remained in place? Is it a problem for the employer if they do? What measures can be taken to limit the risk that higher education institutions face from the elimination of mandatory retirement?

EFFECTS OF ELIMINATING MANDATORY RETIREMENT ON FACULTY RETIREMENT PATTERNS

When the 1978 Amendments to the Age Discrimination in Employment Act (ADEA) raised the allowable mandatory retirement age that employers could impose on their workers from 65 to 70, academic institutions were granted an exemption until 1982 for faculty members. In 1986, when ADEA was amended and mandatory retirement provisions were completely eliminated, academic institutions were again granted an exemption for faculty employees until 1994. Colleges and universities were granted these exemptions largely because the common practice of providing tenure to faculty members could become the equivalent of a lifetime contract in the absence of mandatory retirement provisions. Since 1978, a number of analyses have attempted to evaluate the implications of eliminating mandatory retirement on faculty hiring and operating costs in colleges and universities.

The Consortium on the Financing of Higher Education (COFHE), a group of 30 private institutions located primarily in the northeastern U.S., sponsored three studies on the implications of raising mandatory retirement ages from 65 to 70. These studies led to the conclusion that some faculty members would delay retirement to enhance their retirement income level, but that others would delay retirement because of their relative success and standing in their fields. On average, the expected delay in retirement was projected to be about two years. The analyses suggested that the expected retirement delays could be mitigated by early retirement incentive programs.[1]

W. Lee Hansen and Karen C. Holden also evaluated the effects of the potential initial increase in the mandatory retirement age for higher education faculty. Based on a survey soliciting information on planned retirement ages, they conclude that expected retirement ages were above 65, but that less productive faculty expected to retire earlier than more productive professors. They also noted that expected retirement ages were "much earlier" for

faculty employed at public institutions. Even considering this latter finding, Hansen and Holden indicated that the retirement ages of faculty with mandatory retirement at age 70 were significantly higher than when the limit was age 65 in both public and private institutions. They estimated that the delayed retirements resulting from the increase in the mandatory retirement age would increase faculty annuities by 4 percent under state plans and by 13 percent for those with TIAA-CREF accounts. Finally, Hansen and Holden concluded that the expiration of the exemption would raise budget costs by about 2 percent on average and reduce new hiring during the transition period.[18]

In a subsequent paper, Hansen and Holden focused on the complete elimination of mandatory retirement provisions. In this analysis, they concluded that the uncapping of retirement limits was not likely to have any significant effect on the timing of retirement among faculty members. They did offer a caution, though, because their earlier analysis was performed in an environment where mandatory retirement provisions were prevalent in most higher education institutions.[19]

Alan Gustman and Thomas Steinmeier, using the COFHE data, developed an econometric model to estimate the effects of pensions and other retirement policies on retirement behavior among college-level faculty. Based on the factors affecting retirement behavior, they simulated alternative retirement patterns under different retirement strategies. Their simulations suggest that, for COFHE institutions, the elimination of mandatory retirement will result in significant numbers of faculty members delaying their retirements.[20]

The Project on Faculty Retirement, undertaken in 1988 at Princeton University, assessed the implications of the 1986 ADEA Amendments. The primary analysis was based on information on the academic work and retirement behavior of arts and sciences faculty in 33 colleges and universities from around the country. The principle conclusion is that the "alarm and concern" over the effects of eliminating mandatory retirement are not based on factual information. Based on comparisons of retirement patterns of institutions with mandatory retirement ages and institutions already uncapped by state laws, Albert Rees and Sharon Smith estimate the increase in retirement ages to be smaller than previously anticipated. They do conclude, however, that a few institutions could face significant problems. These institutions currently have a majority of their faculty retiring at age 70 under existing mandatory retirement provisions.[21]

Alan Gustman is critical of the Rees and Smith conclusions in a forthcoming review of their study. He argues that the analytical approach

and data that they use to formulate their conclusion are inadequate. He points out that their data are based on aggregate data for a relatively small number of institutions and that the limited information they do have ignores the variation in financial incentives inherent in the retirement plans sponsored in the institutions considered. He states that "one cannot confidently use the results from the retirement analysis as a basis for forecasting behavior or recommending policies for the future."[22]

A number of colleges and universities have looked at the prospects they face when mandatory retirement is eliminated. Based on their experience as the cap was raised from 65 to 70, some have reason for concern. For example, the Faculty Committee on Retirement at the University of Chicago reported that "when the age of retirement went from 65 to 70 . . . there was a sharp change in faculty behavior. Indeed, the median age at which the faculty actually retired also went from 65 to 70."[23] This report concludes that the effects of uncapping would be at variance with the Rees and Smith conclusions. The committee relied on historical (i.e., longitudinal) data, and questioned Rees and Smith's results because they had relied on cross-sectional data.

THE IMPORTANCE OF ALTERED RETIREMENT PATTERNS

Although the evidence that eliminating mandatory retirement will affect retirement patterns among faculty is not definitive, it does suggest that some faculty will extend their working careers. The mere fact that some faculty members will extend their careers even further into old age than they would have otherwise is not necessarily a problem. It only becomes one when it disrupts the normal operations of the institution. Such disruptions might occur in a number of ways. First of all, there is the issue of the older professor's productivity—if productivity does decline beyond a certain age, extending working lives will have a deleterious effect on academic programs. Second, there is the potential clogging of promotional channels for junior faculty members—older professors often occupy scarce tenure slots, and vacating them is necessary to promote junior faculty members into these positions. Third, there is the effect on costs—older, tenured professors generally have higher pay and related expenses, especially benefits expenses, than younger tenured or untenured professors.

For faculty members, productivity can be measured across four separate functions: teaching, research, administration, and other activities. In terms of hours spent performing these functions, Rees and Smith find that there is a "remarkable similarity . . . across age cohorts from the early 30s through

age 70." But time at work is, at best, a proxy for productivity. Their analysis also focuses on the relationship between faculty age and student evaluations of teacher effectiveness, and the relationship between effectiveness and retirement. In the humanities and social sciences, Rees and Smith cite data that show teacher effectiveness improving as faculty members approach mandatory retirement ages. In the physical and biological sciences, the opposite is true. In all cases, however, the relationship between aging and teacher effectiveness is "very small." When looking at the relationship between effectiveness and the retirement decision, Rees and Smith find that the more effective teachers in the humanities and the physical and biological sciences retire early. In the social sciences, on the other hand. the least effective teachers appear to retire early. Rees and Smith conclude that eliminating mandatory retirement for faculty will not present a major problem for most higher education institutions.[24]

Rees and Smith also conclude that academic publishing declines in each of the three major disciplines with age, but that the largest declines occur long before reaching mandatory retirement age. When looking at the scholarly nature of publications, the authors cite data that suggest that the most scholarly professors tend to retire earlier than others. They suggest these scholarly types might retire so they can pursue their research interests more intensively than they can in the teaching faculty environment. Another measure of research activity is the awarding of outside grants and the level of the grants supporting research. In this case, the authors find a steady decline in grant support with age, although the oldest faculty do still get grant support for their research activities.

One problem that academic institutions have in dealing with productivity problems is the tenure system. Tenure evolved as a mechanism to assure academic freedom in the pursuit and dissemination of knowledge. It was meant to keep administrators from determining which academic or intellectual pursuits are appropriate. The tenure contract restricts management's ability to implement regular performance reviews as a mechanism for determining fitness for holding a position. Oscar Ruebhausen observes that the evaluation of scholarship, research, or teaching is so subjective "that there is little likelihood of consensus on the data that would be conclusive for any particular individual."[25] If criteria for performance reviews cannot be agreed upon, the process is insupportable.

If retirement ages do rise under the elimination of mandatory retirement, all other things being equal, the availability of vacant tenure slots will be reduced. To a certain extent, this phenomenon should be of a limited duration. For example, in a hypothetical situation where all faculty decide to

delay their retirement exactly one year from their prior expected retirement date, there would be no retirements during the first year after uncapping. Following that first year, however, previous retirement patterns would be resumed. The reaction to uncapping will vary from institution to institution.

If there are some institutions where significant numbers of older faculty decide to stay on as uncapping is implemented, as the Rees and Smith study suggests, these institutions could face significant problems in keeping younger faculty members because of a lack of tenure slots. In addition, these institutions could see a significant increase in costs, because older tenured professors typically have significantly higher salaries than replacement professors. In addition, the cost of providing added retirement benefit contributions is proportionally related to salary in many instances—i.e., if faculty salary costs are higher, retirement costs will be as well. In many instances, the biggest compensation cost increase related to delayed retirements of older workers will be the increase in employer-provided health-care benefits. Health-care outlays are typically higher for individuals in their mid-60s or early 70s than for those younger. For individuals older than 65 who continue to work and would otherwise be qualified for Medicare benefits, the employer-sponsored plan is the first payer on health-care expenses.

CONTINGENCY PLANNING FOR THE UNCAPPED ENVIRONMENT

Some academic institutions experience faculty retirement patterns similar to those across society, where workers begin to retire in their mid- to late-50s and most are out of the workforce by their mid-60s. For these institutions, the elimination of mandatory retirement will be a nonevent. For institutions where significant numbers of faculty are working into their late-60s or early 70s, it may be significant.

A number of options can help ameliorate the effects of eliminating retirement age caps: modifying the basic structure of the retirement benefit plan; applying early retirement incentive programs; or improving communications on the existing plans with faculty and staff. The appropriate approach will be determined by each institution's own philosophy and goals, and by the marketplace in which it competes for labor.

REVIEWING RETIREMENT INCOME BENEFITS

The analysis of accrual patterns suggests that some academic employers are providing rich retirement packages for some or all of their workers, allowing retirees to maintain their standard of living in retirement with a

lower income than is needed during the working career.[26] This conclusion is derived from the fact that workers incur certain expenses, related to work itself, that retirees do not, including costs for commuting to and from work, costs of tools, and costs of work clothing. Taxes are often lower in retirement because of reduced income and because retiree income often receives preferential tax treatment. In addition, most working individuals accumulate real assets over their working lives, including homes, autos, and other consumer durables. Typically, mortgages or loans against major items are paid off prior to retirement, and the cost of maintenance in retirement should be less than the cost of acquisition. Finally, it is reasonable to expect that people save some of their earnings to assure their standards of living during retirement, and at retirement the motivation for further saving should be reduced or eliminated. Because work expenses, savings levels, and the like are typically higher at higher income levels, the percentage of income in retirement required to maintain preretirement living standards ordinarily declines as one progresses up the income scale.

When employers are designing pension programs for their workers, they take into account the level of income that is needed in retirement. Dan McGill points out, "If a pension plan is to fulfill its basic function, it must provide an income which, supplemented by OASDI benefits and other resources, will be adequate to maintain the retired worker and his dependents on a standard of living reasonably consistent with what he enjoyed during the years immediately preceding retirement."[27]

Retirement income needs are often expressed as replacement rates instead of fixed-dollar amounts. The replacement rate measures the ratio of the income needed immediately after retirement to the income immediately prior to retirement. If postretirement income meets or exceeds the desired replacement rate, the retiree should be able to maintain a preretirement standard of living.

Individual situations vary greatly, so establishing a single rule for reasonable retirement income is not possible. And while there are many hypotheses about how income and expenditures change after retirement, there is still uncertainty about which hypotheses are most reliable.[28] A reasonable range of replacement rates to use as a retirement income target appears to be 60-80 percent at age 65 and 60-90 percent at age 55, as reflected in figure 12.7.

For higher income persons, the replacement rates shown in figure 12.7 are higher than those found in the 1980 President's Commission report. This is due primarily to the reduction in marginal tax rates in 1986. The lower marginal tax rates give higher income persons more after-tax income;

FIGURE 12.7

REPLACEMENT RATES TARGETS FOR RETIREMENT AGES 55 AND 65 SINGLE RETIREE OR DUAL INCOME COUPLE

1991 Salary	Age 65 Target Range Low	Age 65 Target Range High	Age 55 Target Range Low	Age 55 Target Range High
$ 25,000	70%	80%	75%	90%
50,000	65	75	70	80
100,000	60	65	60	65

Source: The Wyatt Company, 1992.

therefore, when setting a target for retirement income planning, a higher replacement rate is required to maintain the preretirement standard of living. If the marginal tax rates are increased in the future, the replacement rates needed would decrease, especially for high income earners. Whenever a change in marginal tax rates occurs, an individual setting a retirement planning strategy or an employer establishing plan targets should review the appropriateness of replacement rate goals in light of these changes.

The retirement income targets in figure 12.7 can serve as a yardstick against which the plans being offered by academic institutions can be measured. Figure 12.8 shows the replacement capacity of the defined benefit plans considered earlier. The bottom line shows the preretirement earnings replacement by the plan with a 1.5-percent-per-year-of-service accrual formula for an individual who has 20 years of service at age 60. The slope of the line reflects the replacement of final earnings that results from delaying retirement. The top line reflects the replacement of earnings by the plan with the 2.0 percent accrual formula for the worker who has 30 years of service at age 60. The two lines in the middle are the 2.0 percent formula for the 20-year worker and the 1.5 percent formula for the 30-year worker. The former provides a lesser benefit for workers retiring in their 60s, but provides a higher benefit for workers retiring at age 70 or later. These plans would generally fall short of meeting the retirement income needs of participants prior to their early 60s. Even well into their 60s, only the longest-tenured worker under the most generous plan would receive adequate retirement income for the pension alone. But the pension seldom stands alone.

Figure 12.9 shows the benefits these plans would pay in combination with benefits commencing at various ages after age 62, the age at which Social Security retirement benefits are first payable. The least generous benefit reflected would fall short of the target for someone retiring in his or her early 60s. But this worker only has 20 years under the plan at age 60, meaning that in many cases there was a significant period of earlier employment under which he or she should have generated some savings for retirement purposes. Furthermore, none of these benefit calculations consider the possible participation of these workers in savings plans. Keep in mind that these benefits were calculated for a worker who earned $55,000 in 1992, a highly paid worker from the perspective of Social Security. Workers with lower wage streams throughout their careers will receive higher replacement of final earnings from Social Security because of its redistributive benefit formula. Because the overwhelming majority of state and local plans are not integrated with Social Security, they provide the level of preretirement

FIGURE 12.8

REPLACEMENT OF PRERETIREMENT INCOME BY SELECT DEFINED BENEFIT PLANS

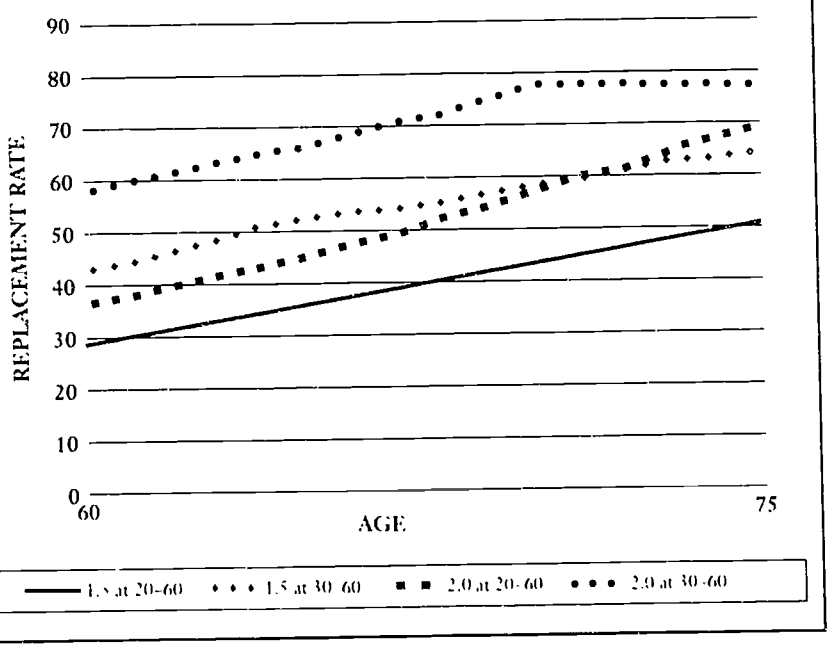
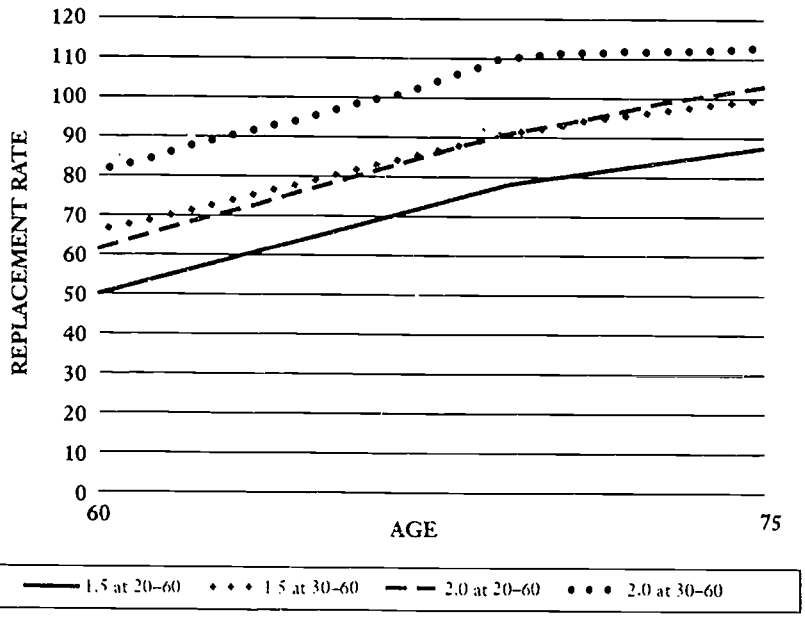


FIGURE 12.9

REPLACEMENT OF PRERETIREMENT INCOME BY SELECT DEFINED BENEFIT PLANS IN COMBINATION WITH SOCIAL SECURITY



earnings replacement suggested in Figure 12.8. Workers retiring in their early 60s under these plans would receive benefits that are within the general range of target benefits specified earlier. For workers who continue to work into their late 60s or early 70s, the benefits generally exceed the targets, but remember that the prevalence of extended work careers and late retirement under these plans does not appear to be widespread.

In the earlier analysis of defined contribution plan accrual rates, the primary focus was on a situation where the worker would accrue a plan balance that would provide an annuity replacing 50 percent of preretirement earnings at age 65. Figure 12.4 shows the different accrual rates where the annual contribution is 12 percent per year under account balances that would replace 50, 75, or 100 percent of earnings at age 65. This case of the three different account balances is the basis for the replacement rates reflected in Figure 12.10. The smallest accumulation will generate a series of replace-

ment rates at various retirement ages that starts at about the same level as the 1.5 percent accrual defined benefit plan for the worker with 20 years of service. The replacement rate generated by the accumulation at successively later years of retirement significantly and increasingly surpasses those generated by the lowest defined benefit plan in all subsequent years. By age 70, the lowest defined contribution accumulation will equal the maximum benefit provided under the most generous defined benefit plan. Of course, the more generous plans will generate even more generous benefits across the retirement age spectrum.

Are these estimated ranges of replacement rates reasonable? The answer depends on a variety of factors that vary considerably from individual to individual. For example, it is assumed that the accumulating funds realize a 4 percent annual return each year after accounting for inflation. Some participants in TIAA-CREF invest more aggressively than others and realize greater returns over the long term, but these rates seem conservative, given

FIGURE 12.10

REPLACEMENT OF PRERETIREMENT INCOME BY SELECT DEFINED CONTRIBUTION PLANS

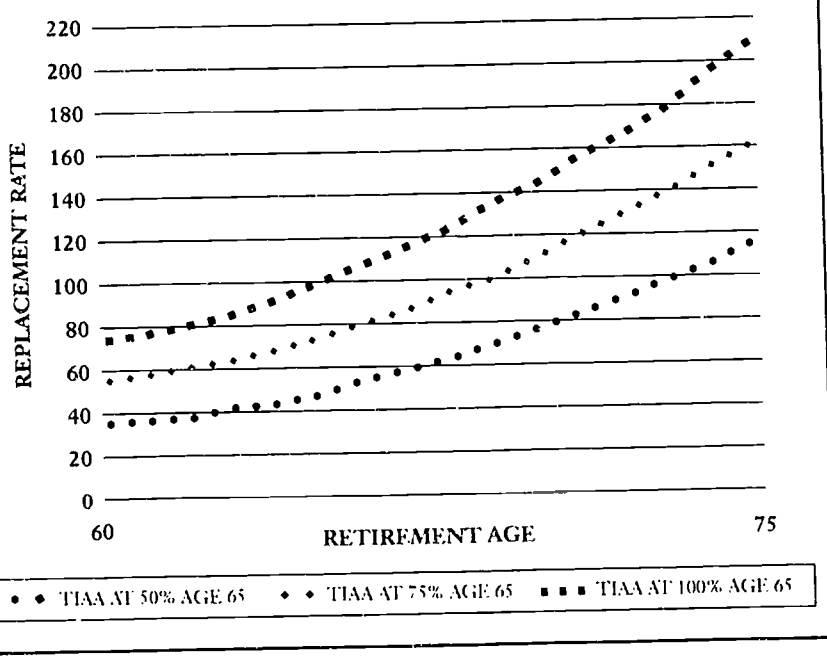
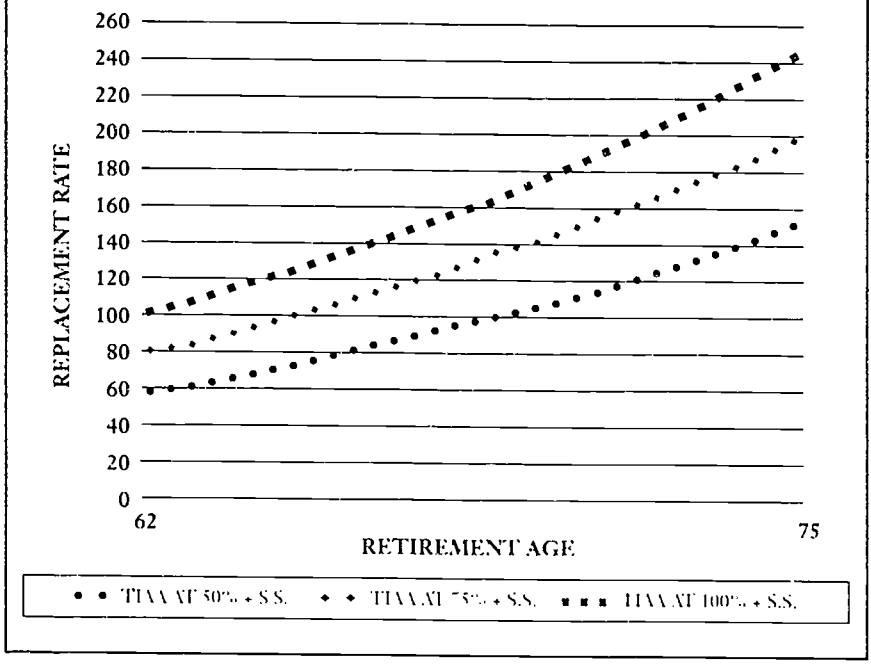


FIGURE 12.11

REPLACEMENT OF PRERETIREMENT INCOME BY SELECT DEFINED CONTRIBUTION PLANS IN COMBINATION WITH SOCIAL SECURITY BENEFITS



that TIAA provided a compounded real return of 3.8 percent per year from 1960 to 1991. In addition to the rate of return on the assets, the rate of growth of pay levels is also important. Real wages of faculty appear to have grown at a rate of 2 percent per year over the past decade. During the prior decade, marked by the oil import shocks and high rates of inflation, they actually declined at a rate of about 1.5 percent.[29]

Figure 12.11 shows the replacement of final earnings by the various defined contribution plans that are considered in the examples discussed above. The age 65 accrual for a worker who did not begin to participate in the plan until age 40 with an annual contribution of 10 percent of salary falls below the 50 percent accrual target at age 65. But the remainder of the accruals fall within the ranges considered. Undoubtedly some faculty members, or other employees of higher education institutions, only began their careers at age 40, but most workers coming into a position at age 40 will

have had prior work experience, during which they should have begun to make some provision for retirement savings. The higher the growth rate in annual wages, the lower the implied replacement of final earnings, other things being equal.

In Figure 12.12, Social Security is added to the defined contribution benefit levels reflected in Figure 12.10. For both these figures, a 12 percent contribution of annual salary was used to calculate the plan accumulations. It is important to remember that Social Security benefits were calculated on the basis of relatively high wages, meaning that workers with lower wages receive benefits that shift the lines in Figure 12.10 even higher than shown. This plan would appear to provide retirement income within the range of targets suggested in Figure 12.11 for workers as early as age 62, even if they did not begin to accumulate retirement benefits until they were 40. For individuals with 30 or more years in these plans, the combination of the plan annuity and Social Security would considerably exceed the targets. At age 70, when Social Security and plan benefits both begin, these replacement rates would be added to current pay for individuals continuing to work.

Most workers who spend most of their career employed by higher education institutions also receive Social Security benefits. Those who are not covered by Social Security in their college or university jobs probably have received benefits from part-time employment in covered jobs or from

FIGURE 12.12

IMPLIED REPLACEMENT OF FINAL EARNINGS BY SELECT DEFINED CONTRIBUTION PLANS AT AGE 65

Starting Age	Annual Real Wage Increases	Implied Replacement Rate at Age 65		
		At 10% Contribution	At 12% Contribution	At 14% Contribution
30	1%	71%	86%	100%
30	2	64	77	90
40	1	43	52	61
40	2	41	49	57

Source: The Wyatt Company

a career in a full-time covered job. If the benefits provided by Social Security are considered in addition to retirement benefits, the picture is considerably better than when considering the pension alone.

IMPLICATIONS OF INFLATION ON RETIREMENT TARGETS

A factor that must be considered in specifying income replacement targets is the effect of inflation on the purchasing power of the retirement income stream. Inflation is a nearly perpetual fact of economic life. After only 10 years, a modest rate of inflation of 4 percent per year can cut the purchasing power of $1 by almost one-third; after 20 years, $1 would purchase less than 50 cents' worth of goods. Rising wages give workers a measure of protection against inflation. Most retirees are protected from inflation to a lesser extent by Social Security benefits cost-of-living increases. But for most retirees, Social Security benefits provide only a portion of retirement income. As income levels rise, Social Security benefits decline as a percentage of retiree income; the amount of inflation protection provided declines also.

To measure how inflation may affect retirement income needs over time, the retirement income target should be considered on the basis of reasonable assumptions. Because Social Security benefits are increased to reflect the Consumer Price Index measure of inflation and most employer-sponsored retirement plans are not, retirement income consists of benefits that have different values. One way to put these benefits on an equivalent basis is to determine the asset accumulation that is needed to provide a similar income stream. To provide an average retiree $1 of annual retirement income for the remainder of his or her life requires an accumulation of approximately $9 by retirement at age 65. To provide $1 of retirement income that is indexed when inflation is steady at 4 percent requires the accumulation of approximately $12 by retirement at age 65. These calculations assume an underlying interest or discount rate of 8 percent and blended mortality rates that reflect life expectancy of the individual without specific regard to gender. They will vary under alternative assumptions.

On this basis, an asset accumulation of almost 10 times final earnings is needed to meet a retirement income target of 80 percent of final earnings and take into account 4 percent per year inflation. That same amount of money would buy a level annual retirement income of 107 percent of final earnings. A replacement rate of 107 percent of final earnings exceeds immediate income needs. It is the level dollar amount that is equivalent to the increasing income needed to match a 4 percent rate of inflation. In the first year of

retirement the needed replacement rate remains 80 percent. By the tenth year of retirement, the needed replacement rate will have risen to 118 percent of preretirement income.

Because part of the retirement income target for most Americans is provided by Social Security benefits, which are automatically increased for inflation, a replacement rate of 107 percent of final earnings overstates the needed target retirement income to account for inflation. For the age-65 retiree, the replacement rates shown in figure 12.7 would increase by 16 percentage points, from 76 percent to 96 percent of final earnings. This would account for the effects of inflation after retirement, when Social Security benefits are indexed for inflation but the remaining sources of retirement income are provided as a level annual income. If the pension plan provides a cost-of-living adjustment, as many public plans do, then the targets in figure 12.7 would still be appropriate. Even assuming that CREF provides minimal or no inflation protection for retiring TIAA-CREF participants, which is hard to believe in light of historical returns, these plans are providing excessive benefits for long-term workers covered under them in many instances. While overpensioning may be a better option than underpensioning, it may result in increased labor costs.

OPTIONS FOR ADJUSTING RETIREMENT PROGRAMS

Any time an employer modifies benefits programs, workers become suspicious that the change is merely a deceitful way of reducing their pay. But economic circumstances often dictate that employers modify their programs to stay viable or competitive. Often they find ways of modifying elements of the compensation package that allow both the employer and the employee to perceive added benefit from the program. For example, employers sponsoring TIAA-CREF or similar defined contribution plans with significant required employee contributions might be able to trade some reduction of the employee contribution for other plan modifications. Employee contributions to the plan are as much an employer expense as are employer contributions, because the contributions vest in the employee's account immediately. Reducing workers' contributions buys good will to accomplish some of the other plan modifications that need to be made. In addition, there might be an opportunity to realize net savings in the process. A reduction of the contribution from 5 to 3 percent of pay, coupled with a 4 percent pay increase, might be perceived to be as good as no change in the contribution rate to the plan coupled with a 4.5 or 5 percent pay increase.

In addition to slowing down the accruals under the more generous defined contribution plans, some employers should also consider the desir-

ability of limiting accruals. One approach for doing this is to limit service under the plan. While the age discrimination statutes do not allow this on the basis of age, it is perfectly legal to do it on the basis of service. A concern about the service limit is that it will only be invoked against individuals with a long career at one institution. The professor who enters the employ of a university at age 25 would hit a 40 year service cap at age 65, whereas another who joins the staff at age 35 would not hit the service cap until age 75. One way to ameliorate the problem of the cap on contributions is to convert the contribution into immediate pay, but this should only be done in cases of clearly demonstrated merit.

An alternative approach to limiting service is to limit the accumulation in the plan so as to mimic the replacement rate caps that exist in defined benefit plans. Under this approach, it would not make sense to punish or reward any particular investment behavior, so the accumulation of assets would have to be measured against a typical portfolio. Once the estimated accumulation would pay for an annuity that would meet the specified replacement rate target, contributions to the plan would cease, unless the value of the hypothetical portfolio dropped below the replacement goal. This plan also would penalize long-career workers with a single employer, except that it is theoretically possible to assume that an incoming employee would have accumulated a starting portfolio that is equal to the average of the portfolios of similar individuals who have been in the institution's employ since age 30, or some other appropriate age.

Shifting from an existing, stand-alone defined contribution plan to a traditional defined benefit plan is an unreasonable approach for many academic institutions, but there are less radical options that can be considered. Most large private industry employers sponsor both a defined benefit plan and a defined contribution plan so they can take advantage of the characteristics of each type of plan. Innovations in plan design in recent years have also allowed individual plans of one sort to share the characteristics of the other type of plan. For example, some employers now sponsor a defined benefit plan in which participants accumulate a plan balance. The plan guarantees a rate of return that implies a target benefit level at retirement. The sponsor operates and funds the plan as a defined benefit plan, and can pay the benefit as an annuity or lump sum. Even if a defined benefit plan is more effective than a defined contribution plan in providing retirement incentives to older workers, it would be extremely difficult in most cases, if not impossible, to take advantage of those incentives immediately. The incentives inherent in defined benefit plans exist because older workers have accumulated long periods of service under the plan. It is possible to set up a

plan that would at least stop contributions to the defined contribution plan. Under the new defined benefit plan, all participants would be granted retroactive service credits matching their years of participation in the plan it would replace. At retirement, the defined benefit would be offset by the value of the defined contribution annuity. This could be designed so that current long-service employees would receive nothing from the defined benefit plan due to the defined contribution offset. The cessation of contributions to the defined contribution plan could be justified on the basis that the target benefits under the defined benefit plans are adequate, and that contributions to fund the defined benefit plan will be made going forward.

The history of the free pension system—a defined benefit plan established by Andrew Carnegie, the subsequent finding by the Carnegie Foundation for the Advancement of Teaching that concluded the only viable plan for the future was a "contributory system of annuities," and the success of TIAA-CREF—make the shift to a defined benefit plan extremely difficult, if not impossible, in many cases. A more serious concerns about defined benefit plans, including those sponsored by public colleges and universities, is the pattern of accumulation over the working life of the individual. The typical plan is characterized by slow accumulations of benefit values during the early part of the career, gradually increasing during mid-career, and leading up to a rapid run toward the normal retirement age specified in the plan, followed by a decrease in accruals beyond that point. Workers who have three or four jobs over their careers end up with a combined benefit that is much less than it would be if they could stay with a single employer throughout their career. For a young professor who spends six years at an academic job to find out tenure will not be granted, the issue of early career accruals and the portability of benefits is important.

RJR-Nabisco recently implemented a new form of defined benefit plan that may address the concerns of faculty about accrual patterns and portability under this type of plan. The "pension equity plan" provides employees a percentage of their final average salary for each year they work, expressed as a lump-sum amount.[30] The percentage accrued each year increases with age. The normal retirement benefit is the lump-sum amount derived by multiplying the sum of the percentages accrued over the worker's career by final average salary. At termination, the accumulated benefit can be cashed out, rolled into an individual retirement account, or used to purchase an annuity.

Figure 12.13 shows a set of accrual rates that might be specified in such a plan. These rates are used to show how the plan would work. This plan is designed to provide for a more steady accrual of benefits than a traditional defined benefit plan. The advantage of this new type of plan is that short-

term workers can earn more substantial benefits than they normally would.

For purposes of analyzing the benefits and accrual patterns provided by this plan, a worker who begins working in covered employment at age 30 is considered. The rate of inflation is assumed to be 4 percent per annum, and the worker is assumed to realize pay increases of 5 percent per year until attaining age 55, at which time they drop to 4 percent, the equivalent of the rate of inflation. For purposes of comparison, the benefits accrued under this plan are compared to a defined contribution plan in which annual contributions of 8 percent of salary were made to the plan and accumulated balances yielded an annual return of 8 percent per annum. While the 8 percent annual contribution is lower than the typical contribution to TIAA-CREF, it yields a benefit of 57 percent of final salary at age 65 which, combined with Social Security, falls within the range of the adequacy targets. If circumstances warrant a higher benefit in retirement, both formulas can be made more generous.

Figure 12.14 presents the accumulated benefits and replacement of final earnings at three retirement ages under a pension equity plan (PEP) and a defined contribution (DC) for a worker who spends a 35-year career with one employer. The accrual patterns under the two plans are nearly identical. For

FIGURE 12.13

PENSION EQUITY PLAN SAMPLE FORMULA

Age of Employee	Percentage of Final Average Pay Accrued Annually (Applies to All Pay)
Under 30	6.0%
30-34	8.0
35-39	10.0
40-44	12.0
45-49	15.0
50-54	18.0
55-59	21.0
60 and older	24.0

Source: The Wyatt Company

FIGURE 12.14

COMPARISON OF SPECIFIED PENSION EQUITY PLAN AND DEFINED CONTRIBUTION PLAN ACCRUALS FOR A FULL-CAREER WORKER AT VARIOUS RETIREMENT AGES

(Full Career with Single Employer)

Retirement Age	Accumulated Benefit at Retirement		Replacement of Final Salary	
	In PEP	In DC Plan	In PEP	In DC Plan
60	$213,682	$212,092	40.0%	40.0%
62	257,532	257,058	46.0	46.0
65	334,256	340,538	56.0	57.0

Source: The Wyatt Company

workers with more than 35 years of service under these plans, the accelerated accumulation of benefits under the defined contribution plan will outstrip the benefits in the PEP. The traditional defined benefit plans have been criticized for providing inadequate retirement benefits for workers who do not spend their full careers with a single employer.

In Figure 12.15, the accumulations for a worker who works for three employers is calculated under a variety of scenarios. The worker is assumed to spend 10 years each with the first and second employers, and 15 years with the third employer. A different career pattern would yield slightly different accumulations. Except for the case in which the worker spends the first 10 years under the PEP, followed by 25 years under two defined contribution plans, the mixed career yields a higher benefit at age 65 under the combined plans than if the whole time had been spent in a single or combined defined contribution plans.

It may seem inappropriate that a worker who jumps around from employer to employer would do better than a stable one. The underlying assumption is that the individual would be changing jobs at age 40 and again at age 50. Typically, professors at this age would have already attained tenure. If they move from one university to another after attaining tenure, it is generally because the hiring university finds the individual's talents particu-

FIGURE 12.15

COMPARISON OF SPECIFIED PENSION EQUITY PLAN AND DEFINED CONTRIBUTION PLAN ACCRUALS FOR A SPLIT-CAREER WORKER RETIRING AT AGE 65

	Accumulated Benefit at Age 65		Replacement of Final Salary	
	Combined Plans	In DC Plan Alone	Combined Plans	In DC Plan Alone
Order of Coverage During Career with Three Different Employers (10 yrs, 10 yrs, 15 yrs)				
PEP - DC - DC	$327,813	$340,538	55%	57%
DC - PEP - DC	376,835	340,538	63	57
DC - DC - PEP	430,765	340,538	72	57
PEP - PEP - PEP	454,337	340,538	76	57

Source: The Wyatt Company

larly attractive. Such individuals might expect to realize higher rates of wage growth than average, and under both the PEP and the defined contribution plan, higher wage growth means lower replacement rates at any age, whether the employee stays with one employer or moves around. In other words, other elements of the career might mitigate the increases reflected in the table; if this hypothesis is correct, the PEP would be more likely to meet the income target or exceed it than would the string of defined contribution plans.

Will the potential of higher retirement benefits for workers who move around encourage faculty members to jump around from employer to employer? Possibly it will increase the extent to which they stay abreast of the marketplace. But movement early in the career does not provide the kind of reward that moving later in the career does. Once an individual gets tenure and works a few years at an institution, a host of factors will discourage moving on to other opportunities.

RETIREE HEALTH BENEFITS: AN ADDED COMPLICATION

If retiree health insurance coverage is not provided through the employer's plan, or is provided on a significantly different cost basis, the extra cost of health insurance to the retiree acts as a deterrent to retirement. Heavily subsidized retiree health benefits may encourage the desired retirement patterns, but present the sponsoring institution with a significant financial liability.

In 1988, the Wyatt Company and the College and University Personnel Association surveyed a representative sample of higher education institutions, soliciting information about employer-provided employee benefits. There was little response to the questions dealing with retiree health benefits. For example, 13 percent responded they did not provide health benefits for individuals retiring prior to the age of 65 and 22 percent did not respond to the question. Likewise, when the same question was asked about the provision of health benefits to retirees over the age of 65, 19 percent indicated that no coverage was provided and 20 percent did not respond. Most likely, some of the respondents did not check the appropriate box because their institution does not provide retiree health benefits and they skipped over the whole section of questions. However, at least two-thirds of the responding institutions do provide some retiree health benefits.

Nearly one-half of the institutions that provide benefits prior to age 65 provide benefits to all retirees. The remainder provide them only when the retiree meets certain service, age and service, or other criteria. Nearly 80 percent of these require the insured retiree to contribute some portion of the premium, and 91 percent cover dependents. For retirees over the age of 65, 68 percent of the institutions require participant contributions, and 74 percent cover dependents.

FASB's Standard No. 106 requires employers to account for postretirement benefits other than pensions. It is generally effective for fiscal years beginning after December 15, 1992. The benefits covered include retiree medical benefits, life insurance benefits, tuition assistance, and legal services. While most of these benefits can be defined in terms of a fixed obligation, health-care benefits generally cannot. The rationale behind the standard is that postretirement benefits are deferred compensation and should be recognized when they are earned. This is achieved by attributing expenses to the time periods in which they are accrued, and by recognizing liabilities as they are accumulated.

The structure of the retiree health benefit plan, its benefit provisions, the level of contributions, and the composition of an employer's worker and retiree populations are all important in determining the expenses and

liabilities of these plans. Without an actuarial valuation of a specific plan, incorporating variables affecting cost or obligations, it is difficult to make any specific observations about the obligations that employers might be facing.

One quirk of the standard is that employees are assumed to have fully earned their benefits once they reach retirement age, even though they are not expected to retiree immediately; this may be an important issue in some institutions. The standard does not apply to public sector entities, so the public colleges and universities do not have to comply with this accounting requirement. However, GASB is scheduled to develop its own retiree health disclosure over the next couple of years similar to the requirement that FASB has promulgated.

Tax legislation in the early 1980s severely limited the extent to which employers in the private, for-profit sector could prefund retiree health obligations on a tax-preferred basis. Employers in the public and private nonprofit sectors might have more flexibility in this regard than their industrial counterparts. While voluntary employee beneficiary associations (VEBAs) established by nonprofit sponsors are subject to Internal Revenue Code regulations, nonprofit entities have other means of investing funds on a tax-sheltered basis.

The potential expense and liability that retiree health benefit plans pose have driven employers to find new ways to limit their financial exposure. Some employers have concluded that they cannot expose their ongoing financial operations to the underlying inflationary cost spiral that health-care premiums are undergoing. Some have eliminated their retiree health benefits altogether. Others have done it on a prospective basis for employees hired after a certain date. Most employers, though, have sought to maintain their retiree health benefit programs in some form because they perceive the importance of these plans in maintaining a reasonable pattern of retirement behavior. Some have moved to age and service requirements to establish eligibility for benefits. Others use service in comparison to the duration of a full career to establish the pro rata share of the full premium that they will pay. Finally, others have moved toward a defined contribution type of benefit, whereby the employer promises to pay a certain amount per month or year for retiree health premiums, regardless of what the total cost of the premium might be when the worker gets to retirement. Regardless of their approach, most employers have moved to curtail their exposure to the uncontrollable increases in health benefits costs.

SPECIAL EARLY RETIREMENT INCENTIVE PROGRAMS

Early retirement incentive programs are arrangements whereby an

employer offers a gratuity for voluntarily retiring. Gratuities can take the form of lump-sum cash payments at the time of retirement, special income supplements for a period after retirement, age or service credits, or special consideration on early retirement actuarial reductions for workers participating in defined benefit pension plans. In the case of faculty incentive programs, nonmonetary gratuities might also be part of the package. The gratuities might include continued access to office and research facilities, secretarial help, or copying privileges.

Generally, there are no restrictions on offering an individual a severance benefit out of current operating revenues in return for terminating employment. In such a situation, the severance benefit is an enticement to retire. If the individual being offered the enticement does not accept it, the employer may instigate a formal action to terminate the employee. However, unwillingness to accept the enticement, by itself, would not be sufficient grounds for dismissal.

Special benefits offered through tax-qualified retirement plans are more restricted than those offered through direct cash payment programs. Because of discrimination requirements, such benefits generally must be offered to a class of workers, such as all faculty over the age of 60 with more than 10 years of service. Because of the special tax treatment of benefits provided through these plans, there may be limits on the benefits that can be provided in one year and on the form in which the benefits are paid. Again, acceptance of the benefits is voluntary.

In recent years, early retirement incentive plans have become popular in the for-profit world. When employers offer early retirement "window" plans, they are typically hoping to get rid of the least productive workers. However, in most cases, no one expects that all eligible workers will take advantage of the plan and window plans actually encourage the wrong people to quit the firm. Through the process of annual reviews and raises, most employers communicate to their productive workers that they are good. When a window plan is announced, the good workers often decide to take the bonus and find a better job. The poor performers often conclude that they may not get any more pay raises if they stay where they are, but they will get paid.

Colleges and universities face a slightly different situation, however, because of superannuated faculty members. The effectiveness of early retirement incentives is not well documented in higher education because of the ad hoc nature of where they are applied. Some studies indicate that early retirement incentive programs, especially when coupled with continued access to offices, can be an effective means of getting older workers to move

into partial or complete retirement. Gustman and Steinmeier's analysis of these early retirement incentive programs in COFHE institutions suggests that these plans often do not reduce costs for the sponsoring institutions. They found that the value of the incentives provided to professors who would retire anyway, plus the cost of replacement faculty, often exceeds the savings on professors who would not otherwise retire without the incentives.[31] This conclusion suggests that careful estimation of costs and benefits of retirement incentive programs is warranted before embarking on them.

OTHER ISSUES RELATED TO DEFINED CONTRIBUTION PLANS

In 1918, TIAA's fixed-income portfolio was the only investment option that participants had. In 1952, the addition of CREF allowed participants limited access to an equities portfolio. However, only current contributions could be made to CREF, and once a balance was transferred from CREF to TIAA, it could not be transferred back. In recent years, after prodding from participants, TIAA-CREF has expanded the options available to include a money market fund, a bond fund, and a social responsibility fund; other new options will be offered soon. In addition, many institutions have begun making arrangements with mutual fund companies to permit retirement funds to be invested in a full array of financial vehicles.

In 1991, the U.S. Department of Labor issued proposed regulations relating to section 404(c) of the Employee Retirement Income Security Act; final regulations were issued in October 1992. These regulations deal with employer exemptions from fiduciary liability in participant-directed individual account plans. The regulations state general rules on the characteristics of investment options that would have to be offered to participants if plan fiduciaries are to be relieved of certain fiduciary responsibilities related to participants' investment choices. The regulations would require that participants be able to choose from at least three diversified investment options. Profit-making entities cannot count company stock as one of the three investment choices. Under the regulations, if a participant exercises independent control over the assets in his or her account, then no plan fiduciary is liable for any losses that occur because of choices made by the participant. Also, the participant would not be considered a fiduciary because of the exercise of control over asset allocation decisions pertaining to his or her account.

A survey conducted by the Wyatt Company in 1991 suggests that two-thirds of employers, regardless of size, offer three or more investment options, not counting company stock. Guaranteed investment contracts

(GIC) are the investment vehicle most likely to be offered: 76 percent of plans have GICs as an option for employee contributions. Forty-eight percent offer aggressive equity funds; 46 percent offer money market funds; and 43 percent offer company stock. The participants included some academic institutions, but were mainly profit-sector businesses, which tend to be more restrictive with investment opportunities for employer contributions.[32]

Plans have not made a strong movement toward more diversified portfolios over the last couple of years, although the market seems to be offering more investment options. Participants in plans that offer GICs keep about 56 percent of their assets in them. Those offering company stock attract 29 percent of the funds; money market funds, 26 percent; balanced funds, 20 percent; diversified funds, 19 percent; other funds, 18 percent; aggressive equity funds, 17 percent; index funds, 13 percent; bond funds, 12 percent; and real estate funds, 6 percent.[33]

Third-party defined contribution plans may have a significant effect on the investment options that plan participants face in the future. Some plan administrators have begun to forge alliances with investment fund managers to offer participants the ability to move their funds not only across types of funds but across families of funds as well. These operations are structured to allow participants to move their money between investment options on a daily basis, and to get on-demand account balance information through automated voice response systems. The plan administrator coordinates all of the functions between the plan sponsor and the trustee, investment managers, and record keepers.

Another trend that is sweeping the world of pensions is the increasing provision of lump-sum benefits upon termination of employment. A variety of reasons may be behind the shift: the declining paternalism of employers; the growing prevalence of defined contribution plans generally; and the desire to keep defined benefit plans operational by making them look more like defined contribution plans. The decision to offer lump sums should not be taken lightly. In an era of increasing personal choice and personal responsibility, offering lump sums appears to be logical, but the management of retirement assets is not something many of us are prepared for. It is important for college and university administrators to stay abreast of what other institutions are doing in the area of lump-sum distributions, especially if the institution is a participant in TIAA-CREF. TIAA-CREF cannot set up separate annuity pools for institutions that do not allow a cash-out option.

Whatever type of plan an institution decides to offer, the plan can only work optimally and accomplish what it is meant to when employees understand it. Many workers, even highly educated ones, do not understand

what their income needs will be in retirement. They do not understand how their needs will change, and what kinds of resources will be available to them. They need information, regularly and comprehensibly presented. When they understand their needs and how their retirement program will meet their needs, they will take advantage of the opportunity to retire at an age when they can enjoy it.

COMMUNICATING THE RETIREMENT BENEFIT PROGRAM

Lozier and Dooris made a scale of the relative importance of 18 factors on the retirement decisions of faculty members. This was done on the basis of a survey in which recent retirees were asked to rate each of the factors on a scale of 1 to 6, with 1 being "not important" and 6 being "very important." The factors and their average ratings are shown in figure 12.16. Financial status encompasses more than the employment-related pension, but the pension annuity can make up a large component of an adequate income in retirement. Eligibility for full retirement benefits is a plan design issue. While eligibility for full benefits might be an issue for retirement during a worker's late 50s or early 60s, it should only rarely be one after age 65, and never be one after age 70.

If an employer is concerned that employees are working longer than is desirable, administrators should review the levels of benefits being offered. Consulting firms have analyzed target income levels that must be achieved in retirement for retirees to maintain preretirement standards of living. These "spendable income analyses" and benefits modeling will allow a complete review of benefit programs, including retiree health benefits, and the design of a diversified retirement income security program that will meet the needs of all workers.

In some cases, the competitive marketplace forces employers to evaluate the benefits they are providing against those being offered by others in their industry. Benefit comparisons can be developed that allow one employer to simulate the benefits provided by peer employers. Through these comparisons, an employer can get a sense of where it is in the marketplace, identify areas where it might want to strengthen its offerings to become more competitive in attracting workers, or curtail its offerings to become more efficient.

EMPLOYEE INVOLVEMENT

As the desired retirement benefit structure is defined and put in place, or merely reaffirmed, employees should periodically review the goals of the

FIGURE 12.16

RELATIVE IMPORTANCE OF FACTORS ON FACULTY RETIREMENT DECISIONS

	Score
1. Overall financial status	4.4
2. Eligibility for full retirement benefits	4.4
3. Desirability of more personal/family time	4.1
4. Other interests	3.5
5. Working conditions and policies	2.9
6. Availability of early retirement incentives	2.6
7. Personal Health	2.5
8. Annual Salary Increases	2.2
9. Availability of emeritus benefits	2.2
10. Mandatory retirement policies	2.1
11. Other employment opportunities including self-employment	2.0
12. Health of a spouse	1.9
13. Administrative pressure	1.8
14. State of the economy	1.8
15. Interaction with coworkers	1.7
16. Budget cutbacks	1.7
17. Curricular revision	1.6
18. Timing of a spouse's retirement	1.5

Source: G. Gregory Lozier and Michael J. Dooris, "Projecting Faculty Retirement: Factors Influencing Individual Decisions," in *The American Economic Review*, (May 1991): 102.

program and their roles in it. The more widely it is understood, the more effective the retirement plan will be in stimulating the orderly retirement of older workers. If older workers do not perceive that they will be able to maintain an acceptable life style on the basis of their retirement benefits, they will stretch out their working career. Perceptions about adequate retirement benefits can be as important as the level of benefits themselves. Especially where employees are expected to contribute their own resources, they need

to be aware of the targets they must meet and how to meet them. A problem with voluntary employee retirement savings programs is that the workers wait too long to get involved in them or contribute at an inadequate level when they do.

An issue that employers often encounter, especially when defined contribution accumulations are a significant share of the retirement security, is that the employees have difficulty planning over the long term to meet their retirement needs. This planning is somewhat easier with defined benefit plans. The typical defined benefit formula is relatively easy to understand from the perspective of income replacement. Most people who work under defined benefit plans can observe fellow workers with similar career patterns reaching retirement and get a good idea of the adequacy of benefits provided by the plan. They can see that their peers lead a life in retirement that approximates the standard of living they maintained before retirement.

Accumulating an adequate retirement nest egg is more complicated in the case of defined contribution plans. Many of these plans allow for a wide variety of participation levels. Some people contribute a significant share of their income to the plan regularly; others contribute sporadically. In some instances, employer contributions are made unilaterally; in others, they are made on a matching basis or on the basis of tenure or age of the participant. In addition, while participants in defined benefit plans know what the benefit level will be relative to earnings for their peers, they have a less precise idea of what their peers might receive from a defined contribution plan. Estimating the relative adequacy of a defined contribution accumulation can be further complicated by investment options that may be available. If one person invests in equities over the long term, he or she will likely have a greater accumulated benefit than someone who invests more conservatively.

Estimating how much one should save under a defined contribution plan is further complicated because most people feel uncomfortable talking with their fellow workers about their wealth accumulations. Many people find it easier to talk about the percentage of their earnings their pension will replace and whether they can get by on that than to disclose their financial account balance and whether it will meet their needs.

Increasingly, there are ways to deal with the complexity of time horizons, savings rates, combinations of qualified plans and personal saving, income targets, and annuity conversions. As the prevalence of personal computers has increased, a number of generic financial planning software systems have become available. Companies have developed retirement planning software that allows employees to model their own retirement income needs and how

their employers' plans help meet those needs. These systems capture an employer's specific retirement plan provisions and allow the user to specify accumulated benefits in a number of alternative forms, such as accumulated balance, annuity level, or final earnings replacement.

These systems allow users flexibility in varying their own contribution rates to employer-sponsored plans. They allow integration of defined benefit annuities and income support from defined contribution accumulations with Social Security benefits and personal savings. Benefit levels can be modeled under different return and inflation scenarios and the adequacy of benefits can be measured against a variety of horizons based on alternative retirement-need scenarios. Typically these systems are user friendly and widely accessible to anyone who has access to a personal computer.

CONCLUSION

Retirement income program design, implementation, administration, and communication are complicated subjects. Each presents a variety of approaches that should be considered. Their implications for human resources and financial management are extremely important, and will become more so as higher education faces a world without mandatory retirement and the Baby Boomers approach retirement. The profound financial impact these obligations have on the institution and its employees merit the time required to deal with this critically important issue.

NOTES

1. William C. Greenough, *It's My Retirement Money—Take Good Care of It: The TIAA-CREF Story* (Homewood, Ill.: Irwin, 1990), p. 5.
2. Francis P. King and Thomas J. Cook, *Benefit Plans in Higher Education* (New York: Columbia University Press, 1980), pp. 38-39.
3. Greenough, p. 13.
4. Ibid., pp. 14-15.
5. Ibid., pp. 15-16.
6. Carnegie Foundation for the Advancement of Teaching, *12th Annual Report* (New York: Carnegie Foundation, 1917), p. 20.
7. The latest national survey with pension coverage and participation information that is publicly available is the March 1991 Current Population Survey (CPS). The data in this survey suggest that pension coverage and participation levels among college and university workers are not as high as indicated in the 1978

TIAA survey. The respondents who indicated they had worked for a college or university during 1990 represented 2.9 million such workers. Of these, 29.5 percent held faculty or teaching positions, and 70.5 percent held administrative or support positions. Among faculty members, 60.7 percent indicated they had participated in a pension plan during 1990; among nonfaculty, 47.4 percent indicated they had participated in a plan. While the pension participation rates among these workers are higher than for the workforce in general, they are much closer to the general workforce than the 1978 TIAA survey would suggest.

There are various reasons why the CPS pension participation rates are much lower. First, the CPS captures all workers, including those who are very young, part timers, etc. Some of the workers in the CPS were students employed part time by the academic institutions they were attending. In many instances, these employees met neither the hours nor time in service participation requirements that the sponsoring institutions placed on their plans.

In addition, many of the individuals responding to the CPS who were employed by colleges or universities might have been full-time workers who had not yet met the service or age requirements stipulated by the plans. For example, a summary of TIAA-CREF plan provisions in effect at four-year institutions in 1989 (see TIAA-CREF, *Summary of Retirement Plan Provisions*, 1989) indicated that only 46.1 percent of the institutions sponsoring a TIAA-CREF program allowed for faculty members to participate in the plan immediately upon being hired. For clerical and maintenance staff, only about 18 percent allowed immediate participation in the plan.

Another reason that coverage and participation rates derived for the CPS might be below the coverage estimates derived from the industry survey relates to respondent error. One would expect most senior-level college or university administrators responding to a survey to be aware of the retirement programs being sponsored by their institution. Among workers generally, however, the level of knowledge and understanding about retirement plans and participation requirements is much less certain.

Finally, the almost universal prevalence of pension coverage suggested by the TIAA-CREF survey in 1978 might have been subject to some reporting bias. The survey was undoubtedly distributed to virtually all institutions for whom it would be relevant, but the response was not universal. It seems much more likely that the institutions that did not return the survey questionnaire would not have sponsored a pension plan themselves or participated in TIAA-CREF or a similar plan than those that did respond to the survey.

8. King and Cook, pp. 278-279.

9. G. Gregory Lozier and Michael J. Dooris, *Faculty Retirement Projections Beyond 1994, Effects of Policy on Individual Choice* (Boulder, Colo.: Western Interstate Commission for Higher Education, 1991), pp. 4-6.

10. The Wyatt Company, "Early Retirement Provisions and Incentives," in *Wyatt COMPARISON, 1* (September 1991): p. 19.

11. For a description of the plan formulas used in determining public retirement plan benefits see State of Wisconsin Retirement Research Committee Staff Report No. 78, "1988 Comparative Survey of Major Public Pension Plans," mimeo, 1988, and Workplace Economics, Inc., *1992 State Employee Benefits*

Survey (Washington: Workplace Economics, Inc., 1992).

12. TIAA-CREF, *Summary of Retirement Plan Provisions, August 1, 1989* (New York: TIAA-CREF, 1989) shows that contributions are above 10 percent on all covered earnings in 87 percent of the institutions. In 27 percent, some portion of the contribution is 15 percent or more of covered earnings. In 16 percent, all of the contributions are at 15 percent or more. In 25 percent, the employer makes the full contribution. In 47 percent, the institution makes the larger contribution, and in 28 percent it is the other way around.

13. The Wyatt Company, *Retirement Policy Schizophrenia: Does America Want Its Elderly to Work or Retire?* (Washington: The Wyatt Company, 1991), p. 4.

14. Laurence J. Kotlikoff and David A. Wise, "The Incentive Effects of Private Pension Plans," in Z. Bodie, J. Shoven, and D. Wise, eds., *Issues in Pension Economics* (Chicago: University of Chicago Press, 1989), p. 332.

15. The Wyatt Company, *Retirement Policy Schizophrenia*.

16. Henry Rosovsky, *The University, An Owner's Manual* (New York: W.W. Morton & Company, 1990), p. 211.

17. Sarah Montgomery, "Findings from the COFHE Studies," in K.C. Holden and W.L. Hansen, eds., *The End of Mandatory Retirement: Effects on Higher Education* (San Francisco: Josey-Bass, 1989), pp. 51-62.

18. W. Lee Hansen and Karen C. Holden, *Mandatory Retirement in Higher Education*, submitted to the U.S. Department of Labor, Contract # J-9-E-9-0067, October 1981.

19. Karen C. Holden and W. Lee Hansen, "Eliminating Mandatory Retirement: Effects on Retirement Age," in K.C. Holden and W.L. Hansen, eds., *The End of Mandatory Retirement: Effects on Higher Education* (San Francisco: Josey-Bass, 1989), pp. 73-83.

20. Alan L. Gustman and Thomas L. Steinmeier, "The Effects of Pensions and Retirement Policies on Retirement in Higher Education," in *The American Economic Review, 81, 2* (May 1991): 111-115.

21. Albert Rees and Sharon P. Smith, *Faculty Retirement in the Arts & Sciences* (Princeton, N.J.: Princeton University Press, 1991).

22. Alan L. Gustman, "Review of Faculty Retirement in the Arts and Sciences," in *Industrial and Labor Relations Review, vol. 46, no. 2* (January 1993): 418-419.

23. *Report of the Faculty Committee on Retirement, The University of Chicago* (Chicago: University of Chicago, 1991), p. 4.

24. Rees and Smith, p. 57.

25. Oscar M. Ruebhausen, "Age as a Criterion for the Retirement of Faculty," in Ruebhausen, p. 125.

26. See, for example, Michael K. Dexter, *Replacement Ratios: A Major Issue in Employee Pension Systems* (Washington: The National Committee on Public Employee Pensions Systems, 1984); Bruce A. Palmer, *The Impact of Tax Reform on Wage Replacement Ratios* (Atlanta: The Center for Risk Management and Insurance Research, Georgia State University, 1988); and The Wyatt

Company, "Planning for Adequate Retirement Income," *Wyatt COMPARISON*, 6 (August 1992): 3-13.

27. Dan M. McGill, *Fundamentals of Private Pensions* (Homewood, Ill.: Richard D. Irwin, Inc., 5th edition, 1984), p. 89.

28. In 1980, the President's Commission on Pension Policy issued a report containing a set of recommended replacement rates that would allow retirees to maintain living standards attained just prior to retirement (*Coming of Age: Toward a National Retirement Income Policy* [Washington: Government Printing Office, 1981]). The commission assumed work-related expenses of 6 percent of after-tax income for all income levels. Savings rates were assumed to increase from no savings to 15 percent of after-tax income as income levels increased. The results in the report reflected the income tax law in effect prior to the significant changes in marginal tax rates introduced by the Tax Reform Act of 1986.

    Bruce Palmer published two sets of target earnings replacement rates that differ from those developed by the President's Commission in two significant ways. In *The Impact of Tax Reform on Wage Replacement Ratios* (Atlanta: Georgia State University, 1988), he used actual patterns of savings and expenses prior to and after retirement to develop a revised set of target replacement rates. He used the 1984 Consumer Expenditure Survey done by the Department of Commerce for the Department of Labor as the basis of his estimates. He also revised the President's Commission's estimates to account for the significant changes in the tax laws in 1983 affecting Social Security, and in 1986 affecting the federal income tax. In *1991 GSU/AACG RETIRE Project Report* (Atlanta: Georgia State University, 1991), Palmer incorporated additional changes in tax law through 1991, and used the 1988 Consumer Expenditure Survey as the basis for savings and expenditure patterns.

29. These rates are derived from historical increases in real salaries for professors as reported in "The Annual Report on the Economic Status of the Profession, 1991-1992," in *Academe, The Bulletin of the American Association of University Professors* (March-April 1992): 8.

30. Hillary Durgin, "RJR Modernizes Pension Plans," in *Pensions & Investments* (September 28, 1992): 1.

31. Gustman and Steinmeier, p. 115.

32. The Wyatt Company, "Little Changes Seen in Investment Patterns in 401(k) Plans," *Wyatt COMPARISON*, 4 (April 1992), pp. 3-4.

33. Ibid., p. 8.

PART IV

Departmental Issues

13

COLLECTIVE BARGAINING

Bargaining over terms and conditions of employment and the unionization of faculty, once viewed as somewhat threatening phenomena, are now ensconced in the United States. With the exception of self-governance and peer review within faculty ranks, collective bargaining in higher education is structurally and organizationally similar to other professional employees' bargaining relationships. Faculty is one of the occupational groupings where collective bargaining is the preferred means of regulating employment. Once established on a college or university campus, collective bargaining becomes a part of the personnel and administrative system and affects virtually every aspect of higher education human resources management. After three decades, the process of collective bargaining in higher education has become institutionalized.

This chapter describes the state of collective bargaining in higher education and examines where it may be headed in the next decade. Faculty customarily constitute the core of collective bargaining in higher education and set the standards for other bargaining units. At institutions with organized faculty and nonfaculty, campus labor relations revolve around the faculty unit, and it this unit that traditionally establishes the fiscal parameters for other unionized employees. Pattern bargaining and "me-too" clauses are customarily based on faculty agreements.

The theory that a free labor movement—whether on a university campus or in an industrial workplace—is essential to the continuance of democratic values was set forth in part by the United States Depart nent of Labor (DOL) as public policy. For an effective labor relations system, DOL recommends the following.

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> Acceptance in practice by American management of both legitimacy of unions as parties to their employment relationships and to a broader role for worker and union participation in their enterprise.
>
> Acceptance in practice by American unions of their responsibility to work with management to improve the economic performances in the United States, in ways that serve the interests of workers, consumer, and society.
>
> Encouragement of a public policy that gives workers a fair choice in determining whether or not to be represented by a union and that is conducive to cooperation between labor and management at all levels of their relationship and in society.[1]

These pronouncements can serve as axioms for collective bargaining in American colleges and universities. They constitute a manifesto for public policy, but do not mandate unionization. They suggest that the choice to unionize and engage in collective bargaining be freely made and, if it is chosen, that management and unions should work jointly towards improved economic performance and goals.

THE DEMOGRAPHIC BASE: WHO IS ORGANIZED?

FACULTY AND THEIR AGENTS

Approximately 30 percent of college and university faculty are members of faculty unions or are represented by collective bargaining agents to regulate their terms and conditions of employment. By January 1992, more than 228,856 higher education faculty were organized and bargained collectively.[2] It is evident that faculty accept unionization as a means of governing their employment, and they show no signs of reverting to a prebargaining nonunion period.

While faculty unionization continues to expand, the rate of increase in organizing new faculty units has lessened. The change in growth should be evaluated in the framework of declining national union membership in virtually every other sector of the economy except for higher education.[3] The number of new faculty units organized in 1991 was the lowest since the mid-1970s.[4] The focus of faculty organizing drives has shifted from recruiting new members to servicing members and preserving existing affiliations.

COLLECTIVE BARGAINING

Three national organizations represent most faculty for purposes of collective bargaining and associated activities: the American Association of University Professors (AAUP), the American Federation of Teachers (AFT), and the National Education Association (NEA), and their state and local affiliates. While independent and unaffiliated bargaining agents exist, most represented faculty are affiliated with one of the three national organizations.

Each national organization has been a vital force in higher education collective bargaining since the process began in the mid-1960s. However, unlike other industries, where local and national unions have partitioned jurisdictions, faculty collective bargaining has reflected interunion competition. This rivalry benefits management, because unions are forced to spend their assets competing against each other. Management frequently uses the rhetoric of one agent against another as its own propaganda and relies on it to defeat collective bargaining. While the national organizations have discussed affiliation, and although several union alliances and coalitions have been arranged by local and statewide units, each national organization remains autonomous. Reports of mergers or increased cooperation between the NEA and the AFT on the K-12 level persist. If these reports are accurate, and until similar arrangements are made for higher education, organization and representation will remain fragmented. In recent years, agent rivalry has appeared to decrease. Informal understandings may have been reached between competing unions, signaling a belief that perhaps unionization, regardless of the agent, is preferable to not having an agent.

AAUP and its affiliates represent faculty at 35 public and 21 independent institutions. The AFT represents faculty at 129 public and 24 independent institutions. The NEA and its affiliates represent faculty at 210 public and 12 independent colleges and universities. Independent faculty bargaining agents are found at 39 public and 12 independent colleges and universities.[5]

NONFACULTY

The decline in national union membership, as well as the decrease in the rate of growth in faculty organizing, has resulted in a movement by organized labor to direct recruiting efforts towards nonfaculty employees.[6] This drive has included not only traditional faculty agents but also unions with minimal background or history in campus organizing. The success of unions in winning organizing drives and representation elections of clerical employees at research institutions in the 1980s (Yale, 1984; Columbia, 1985; and Harvard, 1988) brought favorable publicity to union organizers. Contract strikes at Yale and Columbia, along with clerical strikes at New York University, Wayne State, and Michigan State, garnered additional attention

and may have served as a catalyst for the unionization of nonfaculty employees.

The differences between faculty and nonfaculty collective bargaining are numerous. Although an analysis of the different models is beyond the range of this chapter, several of the significant structural variations are worth noting. The issue of unit determination and the proliferation of bargaining units illustrate these distinctions. Unlike faculty bargaining, where the question of unit determination customarily focuses on the inclusion/exclusion of department chairs and certain midlevel administrators, those involved in labor relations with nonfaculty employees must be aware of varying unit configurations. While many institutions have single bargaining units of white-collar nonfaculty employees, blue-collar workers are frequently organized by craft. Separate campus bargaining units of electricians, engineers, and food service workers may exist.

The large number of bargaining units and the assortment of unions involved in the process is another dissimilarity between faculty and nonfaculty labor relations. No single bargaining agent has emerged as a major force in representing nonfaculty employees; approximately 30 unions have been identified. Several national unions are more commonly associated with a specific craft or occupational grouping; they include the Office and Professional Employees International Union, the International Brotherhood of Teamsters, and various locals of the American Nurses Association and the Communication Workers of America. The predominant blue-collar unions found on campus are the America Federation of State, County, and Municipal Employees, Service Employees International Union, and the International Union of Electricians. AFT and NEA affiliates have made a strong showing in organizing units of white-collar, paraprofessional support staff.

In January 1990, more than 250,000 nonfaculty employees on colleges and university campuses were identified as being union members or covered by collective bargaining agreements. Eighty percent were employed at four-year institutions.[7] The number of represented nonfaculty employees has already exceeded that of unionized faculty, and will most likely continue to increase. This growth is projected because of the lack of private sector organizing legal barriers, less resistance by nonfaculty to the concept of unionization, and the realization of the potential to organize this heretofore unrepresented group. It is anticipated that unionized nonfaculty employees will form alliances and mergers with faculty unions. Depending on the degree of cooperation between faculty and nonfaculty agents, there is an opportunity for increased employee empowerment with a substantial corollary effect on managers and contract administrators.

GRADUATE AND TEACHING ASSISTANTS

Although relatively few in number, unionized graduate and teaching assistants have generated concerns for those involved in bargaining and contract administration. Graduate assistants are by definition transitional members of the higher education community, and thus have limited bargaining goals. Because of the immediacy of their demands, graduate and teaching assistants have a different time frame for collective bargaining than other staff and faculty. The question of bargaining leverage for graduate students has also been raised. Some experts maintain that graduate and teaching assistants are essentially students and not employees entitled to bargain. A union's strength lies in its ability to work with other campus groups to effectuate goals. Examples of faculty and graduate assistant coalitions are rare.[8]

The number of campuses or systems with unionized graduate assistants is less than a dozen: state universities in Florida, the University of Michigan, Rutgers State University of New Jersey, University of Oregon, and the University of Wisconsin at Madison and Milwaukee, to name some. An organizing drive is underway at the State University of New York, where the Communication Workers of America is seeking to represent graduate students. The future of the unionization of graduate and teaching assistants remains problematic. The representation rights of this group have been a matter of debate since the advent of faculty collective bargaining, but the paucity of such bargaining units speaks to the viability of organizing this group.

ENABLING LEGISLATION

The growth of public sector collective bargaining is linked to enabling state legislation. Faculty collective bargaining is strongest in states with supportive laws: California, New York, Michigan, Illinois, Washington, New Jersey, Pennsylvania, and Oregon. No other state has more than 20 faculty bargaining agents. The passage of comprehensive legislation enabling bargaining in New Mexico in 1991 should result in union organizing drives on the campuses of the public universities and colleges in that state.

Legislation for nonfaculty employees is more expansive than for faculty. Some states have enacted legislation for state and other public employees, but have not extended coverage to faculty. An estimated 40 states have enacted bargaining laws for some category of public employees; approximately 30 states have statutes that permit faculty bargaining. For example, Wisconsin provides bargaining rights for community college faculty,

nonfaculty employees at two- and four-year institutions, and teaching assistants in the university system, but does not extend it to university teaching faculty.

PRIVATE VERSUS PUBLIC SECTOR BARGAINING

There is no national public sector collective bargaining statute. Public employees, including those in higher education, bargain pursuant to a framework of state and local statutes; those laws, coupled with federal wage, hour, health and safety, and affirmative action statutes, constitute the public sector labor relations fabric. There is an inordinate gulf between private and public sector faculty bargaining. Of the 228,856 represented faculty, more than 219,374 are employed at public institutions. Sixty-nine private colleges and universities have faculty contracts, as contrasted with 407 public institutions with faculty bargaining agents. Of the 250,000 unionized nonfaculty employees, approximately 215,000 are employed at public institutions and 35,000 at independent institutions. Of the 360 institutions with represented nonfaculty employees, 277 are public and 83 are independent.

Private sector faculty organizing subsequent to the decision in *NLRB v. Yeshiva University* is virtually nonexistent.[9] In that case, the U.S. Supreme Court held that faculty at that independent institution were managerial and not entitled to bargain collectively under the protection of the National Labor Relations Act. Faculty at fewer than five independent institutions have been organized since *Yeshiva* was decided in 1980.[10] An analysis of private sector faculty bargaining indicates a reluctance by union organizers to undertake the conventional difficulties associated with an organizing drive, in addition to the need to overcome the *Yeshiva* implications. There appears to be no incentive for faculty unions to organize at independent institutions.

Yeshiva is not applicable to public sector collective bargaining; although several public sector *Yeshiva* claims were raised, not one was successful in preventing faculty at public institutions from bargaining under statutory protection.[11] In states with collective bargaining laws, public sector faculty enjoy statutory protection to bargain. The future of the *Yeshiva* doctrine remains speculative. There are those who argue that a change in the national political climate will favor labor unions and that legislation will be enacted allowing all faculty the right to bargain collectively. Others claim that organized labor has more significant items on its legislative agenda and will not expend its political capital in support of faculty unionists. *Yeshiva* has had a substantial impact on faculty bargaining, and those involved in higher education collective bargaining must be aware of its ramifications.

SELECTED ISSUES

The following higher education collective bargaining issues will generate the greatest amount of dialogue in the 1990s and beyond.

FUNDING

Most colleges and universities experienced considerable expansion in the 1970s and, although the 1980s saw a slowdown in the growth rate of public sector funding for higher education, few predicted the size or intensity of the cutbacks of the 1990s. The major bargaining issue in the 1990s centers on funding, as the parties at the bargaining table are forced to revisit the ability-to-pay question. Collective bargaining is one element of that funding component; even though some faculty contracts are being negotiated with zero percent increases, a reexamination of the funding problem is necessary.

State governments and other political jurisdictions that serve as college sponsors are reluctant to turn over large sums of money for unspecified purposes, and are seeking to link collective bargaining funding to specific education-performance goals. In states where the governor's office of employee relations (GOER) or a similar body negotiates with public employees, organized faculty are considered one component of this larger constituency. Responsibility for negotiating the economic package is removed from the college administration and placed in the executive office of government through the GOER model. Funding patterns are tied to general revenue. If hard times continue, government's share of the higher education bill will conceivably diminish.

COMPENSATION

While the nation continues to experience difficult fiscal times, faculty compensation remains a source of contention. Not only is salary negotiable, but the design of compensation plans has been called into question. Traditionally, faculty contracts provided for a grid system, whereby faculty progressed through the matrix. Movement was based on a combination of professorial rank, longevity, and degrees earned. Incremental increases were considered virtually automatic as long as satisfactory service was performed. Although the withholding of a salary increment was allowable, it was rarely done, and most contracts contained an appeals mechanism.

Concerns have been raised that traditional faculty salary grids do not adequately differentiate between disciplines with an abundant supply of faculty and those for which faculty are "hard to recruit" and/or "hard to retain." Faculty unionists are concerned that if distinctions are made among

disciplines, subjective criteria will rule and a bedrock of unionism will be threatened. They further argue that today's hard-to-hire disciplines might constitute tomorrow's surplus, and the only way to correct the problem is through long-range market economics. Administrators maintain that a degree of flexibility should be built into the system or that they should be allowed discretion to hire away from the contracted salary. While separate compensation arrangements for faculty within the same bargaining unit do exist, they are rare and are found in agreements where recruitment for selected disciplines or professional colleges has been difficult. It is expected that differentiated salary schedules will continue to be an issue and that faculty unions will find a way to acknowledge their compatibility with collective bargaining.

Pay-for-performance and a variety of merit-pay plans are becoming more evident in faculty contracts; however, they are still in the minority. For many faculty members, the concept of merit pay is still arbitrary. Yet, in this period of financial difficulty and in a climate where greater faculty accountability is being demanded, merit pay may become the primary vehicle to reward faculty who achieve certain honors and distinctions.

As the professorate ages, longevity and the creation of "super-steps" is again becoming a bargaining issue. When faculty were advancing through the salary matrix, little thought was given to longevity or extended salary grids. However, at a time when faculty mobility is limited and many faculty have "maxed out" on the grid, attempts are being made to find a way to reward faculty for their seniority and experience. The creation of an elongated grid and the granting of additional steps as a means of preserving income are mechanisms to reward senior faculty without disturbing the fundamental compensation structure. With the removal of mandatory retirement for faculty in 1994, compensation for senior faculty will become even more consequential. As faculty begin to look different in terms of age, experience, discipline, and protected legislative class, it is unrealistic to expect that salary compensation and structure will remain unchanged.

There is little, if any, evidence to suggest changes of this type in negotiating nonfaculty compensation issues. Due to unit configuration, nonfaculty salaries are linked to the salaries of other state and public employees. If nonfaculty are distinguishable from other groups of public employees, then salary structures unique to their occupational grouping will emerge. Until that time, no differentiation is anticipated.

SHARED GOVERNANCE

The argument over the unionization of collective faculty, shared author-

ity, and control of governance is a point of contention on some campuses. In virtually every occupational sector except education, the line between terms and conditions of employment and management rights remains distinct. Within the academic community, the separation of shared authority and managerial authority continues to be blurred. Those opposed to collective bargaining in higher education argue against the claim that unions will usurp the power of the faculty senate and destroy the collegial model. Supporters of unionization argue the opposite. There is little evidence to suggest the alleged incompatibly among collective bargaining, faculty senates, and other governance mechanisms. On some unionized campuses these bodies coexist and at times complement each other. While union takeover of the senate may occur, it is on campuses with weak or little tradition of shared governance and may be viewed in a positive light, as it enables faculty to gain a foothold in institutional governance.

A shared authority model has emerged. Unions are fundamentally concerned with the terms and conditions of employment, while faculty senates preside over issues related to academic standards and peer review. The AAUP statement on shared governance and its relationship to collective bargaining states:

> The presence of institutions of faculty governance does not preclude the need for or usefulness of collective bargaining. On the contrary, collective bargaining can be used to increase the effectiveness of those institutions by extending their areas of competence, defining their authority, and strengthening their voice in areas of shared authority and responsibility. Collective bargaining gives the faculty an effective voice in decisions which vitally affect its members' professional well being, such as the allocation of financial resources and determination of faculty salaries and benefits.[13]

The vision of the union, faculty senate, and administration as partners in a joint venture was articulated at a Baruch College Annual Collective Bargaining Conference. Cesar Naples, the vice chancellor for faculty and staff affairs at a large public university system, observed:

> Both collective bargaining and senate consultation are different forms of the same thing: faculty involvement in institutional decision making . . . the existence of the senate reaffirms the commitment of both the faculty and the administration to a collegial relationship.[14]

He proceeded to describe a tripartite universitywide problem-solving process involving representatives from the union, the administration, and the senate. Although this particular model did not last because of external political reasons, the concept of governance shared among the various campuses bodies remains feasible.

There is no governance corollary for nonfaculty employees. The issue does not exist for nonfaculty collective bargaining.

THE NEW REGULATORY FRAMEWORK

The regulation of higher education by government and other external bodies is increasing and expanding the cost of compliance. The recent passage of the Americans with Disabilities Act (ADA) will have a substantial impact on college and university personnel and labor relations practices. ADA protects individuals from acts of discrimination based on their disability. The term "disability" has the same interpretation as "handicap," as discussed in the Rehabilitation Act of 1973. ADA requires employers to make "reasonable accommodation" for employment purposes. Legislated as an independent act, ADA enforcement is provided through the judiciary.

In the 1990s, the relationship between collective bargaining and the mandates of external law will become even more complex. While it is premature to assess the impact of legislation, the potential for ADA litigation at unionized and nonunionized work places is considerable. Issues that might emerge include concern over the arbitration route rather than the judiciary and problems related to the definition of "reasonable accommodation." Does ADA bypass the labor relations process or does the collective bargaining agreement control? Conflicts between protected disabilities and contractual "just cause clauses" over charges of incompetence or misconduct may be numerous.

It is interesting to note that jurisdiction over ADA claims and the section of the legal profession that will dominate are unresolved. At present, attorneys specializing in contract, tort, and employment and labor law claim jurisdiction over ADA litigation. A similar scenario might emerge on the campus with representatives from personnel, labor relations, affirmative action, and the legal counsel's office all vying for ADA control. It will be interesting to observe where ADA administration will eventually reside.

The removal of the mandatory retirement age requirements under the Age Discrimination in Employment Act (ADEA) could mean that an aging faculty member might seek ADA disability protection. In addition to protected disability considerations, other areas of concern relevant to ADEA and faculty include the contribution by the employer to pension funds, the

status of age-exempt faculty job security and tenure, and the financial obligations of the employer for health care and related fringe packages for these employees.

The increased demands associated with the cost of compliance under the new regulatory framework, especially for public institutions, requires individuals charged with collective bargaining and contract administration responsibilities on both sides of the table to be increasingly adept in managing uncertainty.

FACULTY WORK STOPPAGES

Faculty work stoppages in higher education have decreased to the point where they may be considered irrelevant. The rank-and-file strikes of the 1970s and 1980s are over. This is consistent with the decline of work stoppages throughout public sector collective bargaining.[15] Reasons for the decline of work stoppages are many and beyond the scope of this chapter; however, it should be noted that the apparent willingness of college administrations to "take the strike" to achieve their own needs and as a demonstration of administrative authority has had its effect. No longer do college administrators fear the threat of a faculty strike as they once did.

Most public sector faculty work stoppages have been classified as statutorily illegal. This arrangement of declaring strikes illegal is slowly disappearing; approximately 13 states now permit limited legal public sector work stoppages. In these jurisdictions, employees may engage in a work stoppage after they have exhausted all impasse procedures and have adhered to required notification procedures.[16] It is paradoxical that limited right-to-strike is being granted when strike viability is decreasing. Nevertheless, those involved in collective bargaining should be aware of the ramifications and distinctions between legal and illegal work stoppages. With the perceived demise of the faculty strike, unionists will seek other methods to exact pressure to achieve their goals. These methods might take the form of sophisticated lobbying and the exertion of political pressure on policy makers.

A LOOK AHEAD

In the fourth decade of collective bargaining in higher education, the process has become less adversarial than it was in the beginning. This is due to a decrease in bargaining agent competition, fewer raids by challenging agents against existing agents, a reduction in litigation over structural labor relations, a decrease in strike activity, a decline in attempted faculty

decertifications, and fewer *Yeshiva* cases in the legal pipeline.[17] Scholars, researchers, and graduate students are writing less about faculty unionization than when it was emerging.[18] This shift in the research agenda may be another indicator of the evolution of the process.

The value of the collective bargaining model remains notable. The AAUP policy manual describes the value of bargaining as follows:

> Collective bargaining contributes to problem solving in three primary ways. Formal negotiations can improve communication between the faculty and the administration or governing board . . . . Collective bargaining can secure consensus on institutional policies and procedures that delineate faculty and administrative participation in shared governance. . . . collective bargaining can ensure equitable implementation of established procedures.[19]

Faculty collective bargaining still has not developed in "tier one" universities. Institutions classified by the Carnegie Foundation as "research one" or "liberal arts one" remain primarily nonunion. It is within the "comprehensive one public universities," many of which are former land-grant agricultural and teachers' colleges, that faculty unionization remains strongest. (It should be noted, however, that nonfaculty unionization at tier one universities and colleges is well established.[20]) Future faculty organization will depend on the passage of new statutes. Some union leaders have suggested that they may have already organized all faculty who want to be organized and the saturation point has been reached. This might especially be true in the case of tenure-stream full-time faculty. Yet, as homogeneous groups of faculty dissipate, representation for new faculty, including divergent groups of adjuncts, will become more critical.

The next decade will generate additional pressures on faculty agents. Institutional concerns must be addressed if faculty unions are to continue. These include guarding against a loss of identity as a bargaining agent while working within a new labor relations framework. Unionists must attempt to preserve the union wage premium differential while protecting job security rights. Indication of rank-and-file dissatisfaction in faculty unions is noticeable and a source of concern. Some evidence of this may be observed by an increase in contract rejection votes by the rank and file. Contract rejection may be seen not only as dissatisfaction with the terms and conditions of the agreement, but also as a personal rebuff of union leadership. Faculty unionists who succeeded to their positions during the period of adversarial labor relations must reassess the validity of that approach for the next decade.

If they cannot adjust to a less antagonistic approach they may be forced to step aside. There also remains a cadre of college administrators and managers who view collective bargaining in higher education with a "win-loss" mind set and who must adjust to new developments.

The challenges facing higher education collective bargaining in the next decade are profuse. Assuming the existence of a "no growth" model and a lack of any new organizing, new expertise will by required to service the changing bargaining unit. Bargaining will remain concentrated on the terms and conditions of employment but also will include:

- Securing rights to speak for new faculty
- Coming to terms with 100 percent tenured departments and insufficient amounts of faculty in other disciplines
- Increasing the scope of bargaining to expand beyond the traditional campus setting
- Instituting teaching and curriculum innovations
- Obtaining "buy outs" and retirement incentives for senior faculty
- Becoming involved in post-reappointment and renewal appeals process and litigation for junior faculty

Unions must accept their role as partners in the educational enterprise and have the interests of the institution, as well as the faculty, as their goal. If these tasks are to be accomplished when fiscal crisis is expected to continue, then joint decision making and faculty empowerment must become institutionalized.

Although the excitement, intensity, and drama may have diminished, collective bargaining in higher education remains a viable option for college faculty to participate in and through which to regulate the terms and conditions of their employment and self-governance. Collective bargaining should not replace existing governance mechanisms, but become a critical component of them. Faculty collective bargaining is ingrained in American higher education and is likely to remain so well into the next century.

NOTES

1. United States Department of Labor, *New Directions for Labor and Management* (Washington: Government Printing Office, 1988), p. 9.

2. All data concerning faculty unionization are taken from Joel M. Douglas and Michael Sandorfy, *Directory of Faculty Contracts and Bargaining Agents in Institutions of Higher Education*, Vol. 18 (New York: Baruch College National Center for the Study of Collective Bargaining in Higher Education and the Professions, 1992).

3. For union membership, density, and number of employees covered by collective bargaining agreements, see U.S. Department of Labor, Bureau of Labor Statistics (BLS) *Current Wage Developments* reports and bulletins. It is estimated that 16 percent of the workforce is organized. This contrasts with an estimated 30 percent unionization rate for college faculty.

4. Douglas and Sandorfy, *Directory of Faculty Contracts*. The National Center for the Study of Collective Bargaining first began keeping statistics in 1976.

5. Douglas and Sandorfy, *Directory of Faculty Contracts*. The tabulation of bargaining agent includes dual affiliation membership. In those instances, membership status is credited to both organizations. The directory distinguishes between institutions and campuses. Institutions are colleges and universities that may have a single campus or that constitute a multicampus system. Each institution is represented by a single agent. In the example of the State University of New York, there is one agent; for collective bargaining purposes, that agent represents 30 separate campuses. Campuses are subunits of institutions and are represented by the same agent who represents all campuses within that system.

6. For an analysis of nonfaculty campus unionization and bargaining agents see Joel M. Douglas, *Directory of Non-Faculty Contracts and Bargaining Agents in Institutions of Higher Education*, Vol. 1 (New York: Baruch College National Center for the Study of Collective Bargaining in Higher Education and the Professions, 1991).

7. Douglas, *Directory of Non-Faculty Contracts*. These numbers and projections are based on a 34 percent return rate of the National Center on Collective Bargaining's survey on nonfaculty bargaining. It is predicted that the actual number is significantly higher.

8. Similar questions have been raised as to the employment status of interns and residents. The case law has at times conferred bargaining rights upon interns, defining them as employees, while in other situations classifying them as students and denying their statutory right to bargain.

9. *NLRB v. Yeshiva University*, 444 US 672 (1980).

10. Independent institutions organized since the *Yeshiva* decision include the College of Insurance, the Berklee College of Music, and Edward Waters College.

11. See Joel M. Douglas, "The Impact of *NLRB v. Yeshiva University* on Faculty Unionism at Public Colleges and Universities" in *Journal of Collective Negotiations 19, no. 1* (1990): 1-28.

    Public sector *Yeshiva* claims have been raised at Wichita State University (Case No. 75-UD-01-1980 Kansas PERB), University of Alaska (Case No. UA 80-2 ALRB), Southern Oregon State College (Case No. C-176-82 OERB), and the University of Pittsburgh (Case No. PERA-R-84-53-W).

12. The California State University collective bargaining agreement provides for additional compensation for faculty in disciplines classified as "hard to hire" and/or "hard to retain." Other contracts provide separate salary schedules for selected disciplines. In bargaining for the City University of New York contract, the administration explored ways by which certain faculty members would receive additional compensation. The faculty union informally rejected this concept.

13. "Statement on Collective Bargaining," in *American Association of University Professors Policy Documents & Reports* (Washington: AAUP, 1984), p. 145.

14. Cesar J. Naples, "Professors and Senates," in *Power Relationships on the Unionized Campus Proceedings of the Seventeenth Annual NCSCBHEP Conference*, Joel M. Douglas, ed. (New York: NCSCBHEP, 1989), p. 12.

15. See Joel M. Douglas, "Professors on Strike: An Analysis of Two Decades of Faculty Work Stoppages—1966-1985," in *The Labor Lawyer 4, no. 1* (Winter 1988): 87-101.

    One noted exception to the trend in declining faculty strike activity occurred at the University of Bridgeport. Although the Bridgeport strike theoretically continued for two years (September 1990 through August 1992) its pattern is an aberration. A financially strapped and overextended administration and a union willing to stay out "for as long as it takes" met in a no-win situation. The subsequent sale and takeover of the university by an external group and a cessation of the strike by a combination of replacement workers and buy-outs of striking faculty ended that long and acrimonious struggle.

16. States with a limited right-to-strike for public employees are Alaska, California, Hawaii, Illinois, Minnesota, Montana, Ohio, Oregon, Pennsylvania, and Wisconsin. Rhode Island and Vermont have adopted a "qualified" right to strike and prohibit strikes that represent a imminent danger to public health.

17. See NCSCBHEP *Directories* Vol. 1-19 for an analysis of agent challenges, decertifications, *Yeshiva* litigation, and strike activity.

18. For a listing of annual research and writing relevant to collective bargaining in higher education, see annual NCSCBHEP *Bibliography*, Vol. 1-18. An analysis of these bibliographies supports the contention that fewer researchers and authors are writing about faculty bargaining. The same observation may be made with respect to graduate student theses and doctoral dissertations.

19. "Statement on Academic Government for Institutions Engaged in Collective Bargaining," in *American Association of University Professors Policy Documents & Reports* (Washington: AAUP, 1990), pp. 147-148

24. Douglas, *Directory of Non-Faculty Contracts*.

14

HUMAN RESOURCES MANAGEMENT INFORMATION SYSTEMS

Instant access to accurate information. Secure, confidential access for users across campus. The ability to access human resources policy on line, to see answers to benefits eligibility, and to update home addresses or other biographic information electronically from one's desk. Is this a clear vision of the next generation of human resources management information systems or a hazy image in a crystal ball?

Personal computers offer flexibility and power that was unavailable on the most sophisticated mainframe computers 10 years ago. Many organizations use desktop work stations and communication networks to provide for decentralized on-line input. Improved display devices and easy-to-use software packages can show trends graphically and provide early warning of anomalous trends. New technologies, including voice response systems and multimedia kiosks, allow for direct, confidential access to and updating of employee records. Data can be entered and validated at the source, reducing administrative effort and allowing human resources staff to focus on the more complex but important tasks of counseling and advising.

It may be comforting to believe that the systems experts on a campus will be able to evaluate alternative technological choices and manage complex information management systems. However, if this vision is to become reality, managers in a wide range of disciplines must become involved in planning right now. Without critical input from managers, information management systems may address the wrong set of issues. Worse yet, the

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implementation of an information management project could lead to a "war story" of overextended budgets and missed deadlines.

This chapter examines management issues and concerns involved in designing and implementing a human resources management information system (HRMIS). These issues include sound organization, political support, policy, fiscal management, and the evaluation of alternative strategies presented by technical resources.

HISTORY OF HUMAN RESOURCES MANAGEMENT INFORMATION SYSTEMS

The first electronic digital computer, ENIAC, was built in the early 1940s at the University of Pennsylvania. The design goal for early digital computers was increased computational power; ENIAC was fast for the times, capable of 300 multiplications per second. More sophisticated machines designed to accommodate the information input and output requirements of business-oriented data processing began to appear in the early 1960s. Companies began to use computers to automate business processes. One of the most repetitive and computation-intensive tasks was payroll. Automation greatly improved the speed and accuracy of gross pay calculation and the deduction of taxes.

Changes in the workforce in the past two decades have meant that traditional benefits programs no longer meet the needs of increasing numbers of employees. Economic forces demand that employers optimize the use of benefits dollars. Flexible benefits systems have evolved that require the monitoring of enrollment, eligibility, pricing, and credit-dollar strategies. Computer programs must be able to handle additional data elements, such as spouses, beneficiaries, and dependents. Government regulation has required additional monitoring and reporting to satisfy the requirements of affirmative action, occupational safety, and benefit plan laws.

Many organizations and software vendors have met these challenges in a piecemeal fashion, developing one subsystem after another. The result is often a "Tower of Babel," a series of interfaced systems that are difficult to use, complicated to maintain, and do not meet the changing business needs of the organization. Such a system may produce accurate and timely paychecks, but cannot provide answers to routine management questions about which employees are attending classes, teaching courses, or making alumni contributions. Common data—name, Social Security number, sex, home address, date of birth—are maintained in multiple files. The most

obvious result has been redundant data, with attendant storage costs. A more significant result is the amassing of inconsistent information, which seriously reduces management control. For example, employees may be listed as active in one system and as terminated in another. One address may be updated while another is not.

Vendors have responded with systems that use database technology. The ability to maintain many different types of employee information in one logical structure allows the integration of payroll and personnel information into one system. New and improved programming tools have provided the means for developing management information reports in addition to payroll transaction summaries.

TRANSITIONS– "THE ONLY THING CONSTANT IS CHANGE ITSELF"

A new paradigm is needed to understand how HRMIS can do more than satisfy payroll needs—how it can actually empower employees (see figure 14.1).

This new paradigm requires multiple computing platforms. The large-scale storage capacity and computational power of the mainframe must be coupled with the inherent ease of use of modern user interfaces at the desktop workstation. The addition of networks and database technology allows information to be "captured at the source." On-line edits help improve the accuracy of a transaction, which can then be communicated across the

FIGURE 14.1
OLD VERSUS NEW PARADIGM

Old Paradigm	New Paradigm
Mainframe	Multiple platforms
Centralized	Decentralized
Batch	On line (real time)
Transaction	Information
Technology driven	Business needs driven
Process owner needs	Customer needs
Subject databases	Enterprise data model

organization and processed on any of several machines in a decentralized environment. New systems are designed with the needs of the department and the customer in mind. Designers are evaluating the benefits of organizationwide data models rather than subject databases.

Future system development will emphasize the management information needs of the entire organization, not just payroll transactions. It will be driven by the needs of the users rather than by the available technology; outcomes will focus on particular business processes.

This change in thinking will cause a further evolution of HRMIS. For example, there may no longer be a payroll system or an HRMIS, but a "people database" containing the name, address, sex, and other biographical information of faculty, staff, alumni and students; this information may be used in various processes, including payroll, benefits enrollment, student registration, and alumni development. The emphasis on transaction processing will decrease, resulting in a better focus on the information needs of the organization. Improved system integration will allow cross-functional issues to be analyzed in a timely manner.

PLANNING

If an HRMIS is to accomplish more than the simple automation of an existing process, the process itself must be reevaluated and redesigned. The first step is to identify all of the major processes that the department conducts. Some institutions will define the major processes as payroll, benefits enrollment, and spending account administration. Others may define the process as human resources and financial administration. The second step is to put the processes on a flowchart—to identify the users, inputs, outputs, control points. "Rework loops" (where errors are identified and the work returned to the originator) should be identified and eliminated. This effort will provide a sound basis on which to build.

If the institution is prepared to move forward with a new system, managers must determine the implementation project's objectives. The core objective is to make sure that the systems and technology support institutional goals, but specific business and technical objectives should be developed. Examples would be "to provide end-user ad-hoc reporting on payroll history" or "to reduce the central keypunch effort by 30 percent." If coherent project goals and objectives cannot be written, how will the system succeed? Too many systems suffer from "retroactive objective syndrome," the "oh, I thought it was going to do this." The planning stage is the time to determine what the system will do.

Planners should consider the extent of system decentralization. They must establish where information will be captured, reviewed, processed, and retrieved. Should each department be able to update information? Should the employee be able to access his or her own record? The goal should be to create a reasonable balance of efficiency and economies of scale. Every system user must be equipped, trained, and provided with a backup for vacation and sick time. This evaluation will call into question the very organization of the institution: freed from file cabinets and forms, for example, an administrative assistant may no longer be necessary in every department.

One objective and goal should be a common "look and feel" across the span of administrative systems. This includes similar navigation throughout the system via menus or function keys. A common look and feel will flatten the learning curve for administrative applications and ultimately reduce the amount of redundant and inaccurate data. Common data definitions will improve communication and information flow across functional areas.

The new HRMIS must provide the flexibility to respond to organizational change, new regulations, business requirements, and new technologies. The system that best suits today's needs may not be able to solve tomorrow's problems.

PROJECT ORGANIZATION

The human resources department will have to expend significant resources on the development of a new HRMIS. Key resources must be identified and committed early on. Perhaps the single most important contribution to a successful outcome is the involvement of senior management. Senior managers may wish to obtain executive sponsors for the system, whereby they oversee the project and provide timely decision making and support. This support should include not only fiscal resources, but "cheerleading" for the project in the form of one-on-one discussions with key campus decision makers and small celebrations at the completion of a project phase.

A project team with the appropriate mix of skills must be identified and assembled. The team members should focus on the new system—it is impossible for a payroll manager to pay 20,000 employees and participate in the design of a new system. Membership on the team should be full time. Thus, the project has staffing implications both during and after the project. The human resources department should identify career paths for both the project team members and the custodians of the existing process.

The users of the system must be involved in the development of the new

system, to ensure that it will reflect "the voice of the customer." In fact, the success of the project depends on the support of the users, who will have to balance day-to-day operational requirements with participation on the project. The most effective way to ensure this is to provide users with a detailed project plan.

Because the project team, the users, and the executive sponsors may occasionally disagree on priorities or how to progress, a process for resolving disputes must be developed. If the ground rules for conflict resolution are well understood, all parties can remain committed to the final outcome.

PROJECT FUNDING

A common failure of managers when developing a new system is not planning for the total cost of the new system. They may identify funds for new software and upgrades to the central computer, but the total cost of the project will encompass many other variables. Additional staff may be required during the development stage. Campuswide infrastructure, including networks and desktop work stations, may need to be upgraded. User manuals will have to be written and new forms may have to be designed. A maintenance agreement will have to be made with the vendor and staff will have to implement upgrades. All costs related to the acquisition, implementation, operation, and maintenance of the system should be identified and resources should be allocated before the project begins.

TECHNICAL CONSIDERATIONS

Managers will bear the primary responsibility for identifying software that meets the requirements of the department and the institution. It is unlikely however, that any one software package will meet all of the desired specifications. Nontechnical managers must be prepared to understand the benefits and trade-offs of various packages.

The newest generation of computer systems is built on relational database technology, which ensures flexible and efficient multiple "views" of data. In these systems, processing is table driven, date sensitive, and based on rules. Tables allow users to modify the results of a process without using a programmer to modify code. Date sensitivity allows actions to be committed as soon as information (e.g., new health plan rates) becomes available. Rule-based processing allows an institutional policy to be codified once and then used in a consistent manner throughout the system. When a rule changes, the modification only needs to be made once.

Software should be modular, allowing commonly used code to be written once, debugged, and then used in multiple applications. This concept, which should be rigorously applied across an entire system, is called

"object-oriented programming." Vendor programs should provide for user exits to allow customized results without modification of the delivered code. Other important features of software include an active dictionary (that both stores data definitions and uses them to support on-line edits), on-line help, and ad-hoc query tools.

MANAGEMENT CONTROL

VENDOR NEGOTIATIONS

After the needs of the new system have been defined, a request for proposal (RFP) must be written. The RFP is a detailed document that discusses in business and technical terms exactly what the department wishes to accomplish with the new system. The RFP should contain details on the current and future information system architecture, the desired functionality of the new system, and the role vendors will play. After receiving responses to the RFP, managers must assist the project team in determining how to evaluate the various proposals. Factors to consider include how well proposals fit objectives, the cost, and conformance to technical standards.

Managers and the project team should determine if proposed applications were developed based on a single architecture or if various modules were acquired from other companies. The evaluators must be able to distinguish true integration from fancy interfaces. Copies of actual computer code should be requested and reviewed for structure and adherence to sound programming practice by the in-house technical staff. User documentation should be reviewed for clarity and ease of use. Finally, the project team should visit other clients of the vendors to discuss the system with users and technical support staff.

During negotiations with the selected vendor, the managers and project team should enlist the advice of the institution's legal counsel. Someone must consider the ownership of the source code, the ability to make modifications in the system, and how those changes affect the vendor warranty. Fee structures should be based on the number of concurrent users, not the total number of users on campus. The software should be transferrable from one mainframe to another in the event of an upgrade. The vendor may lock in prices for the complete system, but should call for payment only after the modules have been delivered and thoroughly tested.

PROJECT MANAGEMENT

The implementation of a new computing system will challenge every member of the human resources department. Perhaps the most important

requirements for success are the development of evaluation criteria and measures for all of the stages of the project. These yardsticks help managers determine when a particular task or phase has been satisfactorily completed. Measures can often be developed as part of an overall cost/benefit analysis for the project. In conducting these analyses, it is usually easier to identify the "hard" costs of software, hardware, and development than the "soft" benefits of improved information. Estimates may have to be developed for the savings from fewer late paychecks, reduced numbers of hand-drawn checks, the elimination of "butcher books," and delivering time cards to payroll by hand.

SECURITY AND CONFIDENTIALITY

A key factor in designing systems that meet the information needs of the entire institution is security. Implementation should follow goals for access and confidentiality. These decisions become increasingly complex as systems are distributed across campus and networked across the nation.

An issue that is the focus of much attention is maintaining the confidentiality of employee information. The current generation of HRMIS often employs a Social Security number as the key to individual information. This is helpful in developing interfaces with other organizational data files, including student and alumni data files.

Several flaws have developed with the use of Social Security numbers, however. Current law prohibits requiring a student to be identified by a Social Security number. Students who do not wish to use that number use a dummy number. Foreign nationals do not have Social Security numbers, so they may be assigned temporary numbers. The registrar may assign one set of dummy numbers to students and human resources may assign another set of numbers to employees. This reduces the ability to match records systematically.

More importantly, when Social Security numbers are openly used on campus identification cards and are present on virtually every report, some individuals may use this information to access external information databases for nefarious purposes. A mutual fund organization recently learned of the hazards of a telephone service that required only a Social Security number to obtain account balances. Similar access could once be gained to credit reports and a wide range of other personal, confidential data. The concept of a "people database" organized around a single "person ID" assigned by one office is a powerful force in achieving cross-functional integration while protecting the confidentiality of information.

The guiding management principle to identifying appropriate levels of access to information is the "need to know." A security hierarchy may be

established to provide access, to control the ability to update and/or inquire, to limit the functions a user can perform, and to determine the records that can be accessed. A mechanism for removing access when an employee transfers to a new function or leaves the organization must also be developed. New software and the changing computing paradigm may require access to predefined screens and the ability to develop ad-hoc programs. The system should be designed to provide appropriate access in both on-line and batch reporting modes.

Allowing employees access to their own records requires the use of a personal identification number (PIN). The PIN can be thought of as the password to the employee's personal data. Some people propose making PINs an easily understood and remembered value (e.g., birth date). The tradeoff between this and a random PIN is between ease of use and the confidentiality of the information.

Modern systems can provide role-based security, with a custom profile established for each user. This multidimensional security hierarchy may require the services of a full-time security administrator in large organizations.

AUDIT

Human resources managers bear final responsibility for the accuracy and integrity of human resources data. The audit function has always been an important factor in maintaining the integrity of an HRMIS. The new generation of systems provides new challenges for the auditor. Older payroll systems consisted of physical sequential records with easily visible fields for name, pay rate, and account. New database systems consist of relational tables that can be logically combined in any number of ways. It is unlikely that all of the information required to determine an employee's pay will be located physically next to one another. The auditing staff must use new tools to sample and report against the database. Management must ensure that sound practices for source code maintenance, documentation, tests, and production turnover are developed and strictly followed.

The move away from paper forms to on-line transaction processing raises the issue of electronic signatures. A number of alternative implementation strategies exist, ranging from on-line hold files to the use of electronic mail. Efficiency demands the lowest number of approvals while maintaining control. If one extra approval results in a late paycheck, the employee's reasonable expectation of a timely paycheck is not being met.

Auditors should ask if there is a control list of who is authorized to approve what and if there are signature cards for each approval authority. If

these controls do not exist, the significance of a scribble from Stan Jones in the English department, for example, must be called into question. A more central issue is whether Stan Jones was trained to decipher the earnings codes, ledgers, accounts, and hours that constitute that pay transaction. If not, how can he know what he is approving? These types of control decisions must be made in the system design phase. The designers of the system must define the "owner" of each subprocess. For example, if the owner of the reclassification process is the compensation function, the computer should perform budget checks for open positions and available funds. No office other than compensation should have to approve the transaction.

Access to key transactions should be restricted to the appropriate office. Tenure transactions should be approved by the chief academic officer, tax transactions by the tax office, and so on. Exposure can be limited further by increasing management attention to transactions exceeding $10,000 or some other appropriate amount. Routine small-volume transactions should be processed in the most expeditious manner possible.

The security system should guide what employees can do, and on-line edits should assist them in accurately completing a transaction. The number of approvals and the time it takes to complete a transaction should be reduced.

DISASTER PLANNING

As institutions computerize more and more administrative functions, managers are becoming increasingly dependent on technology to conduct routine business. An electric power outage or hardware failure can quickly escalate from a minor inconvenience to a full-scale disruption. Few colleges or universities can afford the luxury of a full backup site, but some steps can be taken to minimize the likelihood of a disruption and its impact when it occurs.

Managers must identify all points of potential failure in the system. This would include a fire in the keypunch area, a broken computer tape, and loss of the communications network. After these vulnerable areas have been identified, a series of contingency plans can be developed. Data entry and hard copy transmittal could be subcontracted to benefits plan carriers. Payday could be deferred to allow additional time while implementing disaster plans. Off-site computers could reprint the previous period's payroll checks.

A list of the key decision makers to be notified in the event of a problem and the time frame for their notification must be developed. Every manager should understand the options available at any point in the process and when

contingency plans should be put into action. It may be less costly to rerun last week's payroll checks off-site than to wait and hope for the regular payroll to resume running.

The requirements and resources for reconciliation and audit must be identified. If last week's payroll is being rerun, how will new employees be paid and how will changes in overtime, sick leave, and vacation time be handled? Hand-drawn checks can be made to address underpayment, but methods for retrieving overpay and for updating the corporate database must be developed.

IMPLEMENTATION

Before a single line of code is modified, the team must decide whether the project will be a boilerplate package or a customized implementation. This decision will have a major impact on the nature of the work to be accomplished. Significant modification may affect the ability of the institution to maintain the system. Vendor upgrades may defer the need for a new system in the future. Any system can be modified to meet existing business practices, but it is often more cost effective in the long run to change practices to meet the system.

CHANGE CONTROL

Whether the system is being modified or installed as is, a method for change control must be established early on. While the system is being installed, the vendor will be sending new releases of the software. The project team will be customizing, modifying, and testing copies of the system. Any changes must be analyzed and reapplied to the vendor's newest release.

Similarly, users will be specifying modifications and enhancements to the software. These modifications often have a ripple effect, impacting several modules and interfacing with outside systems. Multiple programmers may be affected by the worst cases, and staff may have to redo work that was just completed.

Some organizations will not stay current with the vendor during implementation, choosing to work on one version of the software. This can be an effective strategy, but a major effort will be required to upgrade once the system is installed. The institution may impose a freeze on any nonregulatory changes until the new system is up and running. Or it may build a "change database" to track any modifications, the reason for the modifications, their status, and their impact on other systems. Several vendors offer software specifically designed for software management.

CONSULTANTS

One way to provide resources without increasing the institutional head count is the use of outside consultants. Consultants can enhance a project through their knowledge, gained from a number of implementations and a neutral analytical perspective. A clear statement of work must be developed to define clearly what is required from the contractor.

When considering the use of a consultant, there are several issues to consider. First is whether to hire a specialist or a general consulting firm. The specialist may offer greater technical knowledge of the software package being installed. The general consulting firm may provide greater expertise in the area of integration with other systems. Managers should ask whether a prospective consultant has worked on similar problems the institution might face and what steps he or she took to solve them. A detailed list of deliverables and milestone dates should be developed.

When using an external consultant, in-house managers should remember that the consultant will not be available indefinitely.

IMPLEMENTATION STRATEGY

The implementation of a new system can be accomplished in two ways: through a phased approach or all at once. Management must assess which approach best balances resource requirements with the ability of the institution to respond to the implementation. A phased approach may make the project team's workload easier to manage and improve the focus. The completion of each phase adds to the community's sense of a successful project. In addition, phases may allow the amortization of project costs over several fiscal years, an important budgetary consideration.

The downside of a phased approach is that it may result in many subprocesses rather than a smoothly integrated overall system. It may increase the overall length of the project if latter phases uncover modifications that should have been made in early stages. The organization's workload may increase due to the need to maintain and reconcile duplicate systems.

IMPLEMENTATION DATE

The implementation date for a new system is often set before the vendor even delivers the software. Three variables determine when a system is ready: the amount of work to be done, the staff available to complete the work, and the projected implementation date itself. If the size of the staff and the amount of work to be accomplished are fixed (well understood and accurately estimated), the implementation date is determined by those factors.

However, there are several logical target implementation dates, including calendar and fiscal year end or beginning. Conversion is simplified at these times because year-to-date figures do not have to be loaded. If the institution closes for the holidays or slows down during the summer, additional time and resources may be available.

EMERGING TECHNOLOGIES

A late evolutionary stage in HRMIS is empowerment, where every employee becomes a user. An HRMIS can assist all levels of the organization process information more effectively. Managers will have "press of a button" access to critical measures. Clerical staff will have on-line access to policies and job opportunities, and be able to apply for jobs or update their record from their own workstations.

Several new technologies can hasten this development. Client/server systems combine the processing power and storage capacity of traditional mainframe systems with the ease-of-use and graphical user interfaces of a personal computer. Vendors take several approaches to designing these new systems. Several have developed "front ware" applications that access data from older mainframe systems and then process and present information on the personal computer. These applications allow compatibility with the existing base of installed systems. Other vendors have designed new systems that are able to run on either the mainframe or a network-based server. Such systems provide the flexibility of being able to run on both the current hardware architecture and on the future environment of distributed, cooperative processing.

These systems offer improved user interfaces and new development tools that can decrease the time required to customize on-line screens and programs. Users can assume a much broader role in developing reports and new capabilities.

There are several important issues to consider with client/server systems. One is the degree of hardware standardization on campus. Only a few of these systems are capable of running on a wide range of computers. Most are dedicated to a single hardware architecture such as IBM or Digital VAX. Another issue is the range of applications available. Most vendors have focused on particular applications in human resources software and do not have a full range of solutions available.

Other new technologies can be grouped into two main categories: the way data are captured and how information is shared.

DATA CAPTURE

Many systems capture information on paper forms; this old-fashioned method can easily introduce errors and is time consuming and expensive. An increasing number of institutions are turning to distributed screens. Several new technologies promise to improve the ability to commit information to record. These include scanning, imaging, and pen-based computing. Scanning is familiar to most people who have taken standardized tests with a number-two pencil. Information in the appropriate box or in the form of carefully crafted letters written in prepared spaces is transformed into computer format.

Imaging systems go one step further and capture a picture or image of the entire document in an electronic format. Imaging systems can capture a great deal of information very quickly, but they have several drawbacks. A range of formats must be considered. Computer monitors may need to be upgraded to generate displays with sharp resolution and color. Storing and exchanging the large volume of data representing the image can be resource intensive, so various compression techniques must be invoked to conserve disk space and reduce transmission time. If the process cannot function with the visual "image," but requires the information contained therein, image-to-text software must be used. This software can be confused by marks left by a copying machine, type fonts, and various other marks or stains. Primitive artificial intelligence techniques may be used to locate critical data fields. Other key words may have to be entered separately and indexed in a database to facilitate retrieval.

However, imaging systems have become much more versatile and dependable in the past few years. Several vendors have incorporated imaging into employment systems. Instead of an application form being keypunched into a database, an image of the resume itself is maintained. The user can then search the database for key words and retrieve the resume for forwarding to the hiring officer. An obvious concern, however, is addressing those applicants who do not have resumes. Also, resumes do not typically contain supervisors' names, salary information, and other information central to the hiring process.

A cutting-edge technique is pen-based computing, which uses an electronic "pen" to replace the computer mouse as a pointing and selection device. Eventually the pen may reduce current dependency on the keyboard for data entry. It will also make computers more portable for applications where the keyboard can be eliminated. The current generation requires very carefully written block letters or limits entry to predefined boxes. Systems are unable to recognize cursive handwriting. The technology today tends to cost

significantly more than standard computers and can reduce the resolution of the screen display. This technology has not matured enough to be widely used in human resources applications.

INFORMATION SHARING

Some technologies assist in sharing information across the institution, including electronic data interchange (EDI), voice response systems, multimedia kiosks, workflow automation, and executive information systems (EIS).

EDI has been quietly taking hold in a number of applications. Many institutions routinely exchange information with benefits carriers and banks. In the past this was done by paper transmittal and more recently by computer tape. EDI is the direct exchange of information from computer to computer in a standardized electronic form. Important points to consider when implementing this technology is ensuring the integrity of the data (which can be changed on a personal computer) via check sums, encryption, or other means, and providing for backup operators and machines during vacations or other disruptions.

Voice-response systems can be used to improve both data capturing and information sharing. Carefully crafted, prerecorded verbal scripts can familiarize an employee with the benefits that he or she is eligible for, as well as capture the choices made. This approach has great appeal because the enabling technology—the touch-tone telephone—is available in most offices and homes. Voice response systems perform best with a relatively short list of numerically defined options: 1 is X, 2 is Y. Potential drawbacks are difficulty with computer pronunciation of names or addresses. These systems may not be the best alternative for updating database files of life insurance beneficiaries, for instance. Also, employees can become confused when a wide range of alternatives is available and they can become frustrated if an improperly designed menu does not permit access to human assistance when the need arises.

Multimedia kiosks can be used to share information by combining sight and sound. A video picture of the benefits manager can be shown, welcoming a new employee and providing an overview of the benefits offered by the institution. When combined with a touch-sensitive screen, the kiosk can provide a self-directed benefits orientation and capture the choices made by the employee.

Executive information systems (EIS) take advantage of the user friendly, graphically oriented capabilities of the personal computer to display critical information. These systems can assist senior managers in monitoring their

operations and developing new strategies. There are two designs for EIS. One is mainframe based, where all of the information is housed on the central computer. This offers the primary advantage of allowing every user access to a wide range of up-to-date information, but the system can suffer from poor response times when many users access the system at once. Another approach downloads information to the workstation. Response time is consistently good, but users occasionally have to wait for the latest information to be transferred. This approach is also limited to answering only the range of questions envisioned by the system designer—no other data are available. Both approaches allow information to be displayed in graphic format to improve the highlighting of trends and anomalies. They also provide the ability to change variables in various hypothetical scenarios.

Perhaps the most exciting developments are in the area of workflow automation, which can be used to automate the routing of transactions between users. This level of office automation combines new software, networks, and database technology to provide access for users regardless of where they are physically located. This opens up additional opportunities for process engineering—changing the way work is done.

The biggest challenge of workflow automation for most colleges and universities is implementing it in a technically diverse environment, taking into account multiple electronic mail services, networking strategies, and communications protocols. Another challenge is to avoid excessive delays in processing information that is routed to dozens of people.

Group-ware tools can be used to enhance work group collaboration and to make meetings more efficient and effective. These can take the form of person-to-person electronic mail, distribution lists for reports, and group conferences. Group-ware technology simplifies the creation and access of shared information across the organization. Image processing systems can also improve the sharing of information—an electronic image can be transmitted across the organization or shared by multiple viewers much more efficiently than with paper-based systems.

WHERE DO WE GO FROM HERE?

It is easy to become infatuated with new technology. The most important consideration when designing a new HRMIS or enhancing an existing one is the business process. However impressive the technological capabilities may be, they cannot be fully harnessed without thorough planning, extensive consultation with all who will be involved, and appropriate

education of all staff. Managers must not cede the development of the next generation of HRMIS to technicians, but must become active partners in setting priorities and evaluating alternatives in an era of high expectations, reduced budgets, and consistent change.

15

THE CHANGING NATURE OF HUMAN RESOURCES ADMINISTRATION IN HIGHER EDUCATION

College and university human resources administration has changed dramatically during the past three decades—an evolution that has involved a shift in organizational structure as well as in the manner by which services are provided. These changes have affected human resources management's efforts to complement the academic focus of colleges and universities and to protect the institution from potential liabilities.

THE EVOLUTION OF HUMAN RESOURCES MANAGEMENT

The Civil Rights Act of 1964 was the catalyst for the realignment of the human resources function in higher education, as well as in business and industry. Executive Orders 11246, 11375, and 11141, as well as Revised Order Number 4, also provided major impetuses for focusing on the human resources management profession.[1] With the passage of the Civil Rights Act of 1964 and the executive orders, colleges and universities, as well as assorted federally funded student assistance programs—all dependent upon grant and contract funding—became accountable for nondiscriminatory management of the employment function, as well as its terms and conditions.

Title VII of the Civil Rights Act, which prohibits discrimination on the

JOHN A. HEIDLER

basis of race, color, religion, sex, or national origin, was amended in 1972 to establish the Equal Employment Opportunity Commission agency—an agency empowered to investigate and enforce provisions of the act. The Equal Employment Opportunity Act of 1972 also provides avenues for enforcement through the federal courts and extends the jurisdiction of the act to public employees. Human resources administration was also affected by other laws, such as the Equal Pay Act of 1963, the Vietnam Era Veterans Readjustment Assistance Act of 1974, and the Williams-Steiger Occupational Safety and Health Act of 1970.[2] These regulatory actions brought about the need to centralize the management of the human resources function—to establish institutional consistency of operation and compliance with the various federal antidiscriminatory laws.

Before the Civil Rights Act of 1964, higher education human resources administration was often a decentralized clerical support function located in the dean's office of a college. Often referred to as "employment," "the employment office," or simply "personnel," this office's primary responsibility involved the employment of support and clerical employees for the college. Usually, this task was delegated to the dean's secretary, an executive secretary, an administrative assistant, or an employee responsible for the college's clerical support staff. In most cases, this employee had no human resources training. Technical expertise in the secretarial profession was the major criterion to qualify the employee to whom the responsibility for handling human resources was given.

Before 1964, a large university might have maintained 12 or more distinct human resources units (depending upon its number of colleges or schools), which operated under and were governed by procedures developed by each dean's designee. The only consistent function associated with the management of employees might have been the established minimum wage and its accompanying overtime pay provisions. It is important to note, however, that the minimum wage and overtime requirements were not extended to public employers until 1985. At that time, the Fair Labor Standards Act's provisions, also known as the Wage and Hour Law, were extended to the public domain by the Supreme Court's interpretation of *Garcia v. San Antonio Metropolitan Transit Authority et al.*[3]

With the executive orders and the civil rights legislation, educational institutions were prohibited from exercising discrimination based on race, color, national origin, or age. The executive orders also required institutions to establish affirmative action programs with employment objectives and definitions to diminish or eliminate the underutilization of minorities and protected classes. These programs included rigid time tables by which these objectives should be accomplished.

CENTRALIZATION OF THE FUNCTION

Accountability for consistent approaches to equality in the work place became a reality through the affirmative action process. Human resources management was expected to change—and to change quickly. Centralization of the function was seen as the most prudent way to effect this change.

Because of the institutional need to comply with the civil rights laws and the need to move quickly toward affirmative action, the human resources function in many cases was removed from the college or school level and placed at a centralized point in the institution's administration—with a degree of urgency and immediacy.

Deans who previously had direct control of the employment process and staffing of their colleges or schools were now required to use a centralized support service unit known, among other things, as the "university personnel office." This centralization process in many ways set the stage for perceptions held by academics about human resources administration—perceptions that generally were negative and, in some instances, that haunt the profession to this day.

Removing the human resources function from the dean's authority and placing it at a centralized point was considered by some to be an erosion of each college or school's administrative authority. Academics perceived that they were losing control over their programs' support elements. The staff members who were chosen to administer those services also, at times, seemed poorly trained to carry out the human resources function. Because of the rapid introduction of and need for a centralized human resources function, this function was often staffed with individuals who were not prepared for the challenges associated with integrating a centralized support program into an academic environment.

Academics who questioned the mission of the human resources office or who did not understand new policies and procedures (many of which were previously unwritten) were advised by human resources representatives that they (the academicians) must adhere to this new format. This answer and approach were unacceptable to academics. Rather than receiving services from human resources, academics perceived that they were receiving mandates. An activity previously governed through peer associations, committees, debate, and consensus was transformed to an activity narrowly defined and directed by an "outside" source.

This situation arose from the forced integration of two dramatically different philosophies—one that is based upon structure and definitions and one that is based upon peer governance, committees, debate, and consensus.

In short, centralized human resources administration was "force-fit" to

the academic environment. This gave academia a largely negative view of human resources management—a perspective that has adversely affected human resources management's image and effectiveness in the academic community. Figure 15.1 provides an example of a typical environment that resulted from diverse philosophical approaches.

HUMAN RESOURCES ORGANIZATIONAL STRUCTURE

To be effective administrators in an academic environment, human resources practitioners must recognize the unusual relationship between human resources and academia, as well as the relationship that must exist between human resources staff and nonacademics. Human resources practitioners must empathize with the individuals whom they serve and seek to acclimate their role and services to the unique environment of higher education.

The day of the bureaucratic, paper-shuffling "personnel department" is long gone. For a unit to provide quality human resources administration to a college and university, it must be proactive rather than reactive. It must focus on the expedient delivery of services and exercise a high degree of "client sensitivity." The human resources unit must, if possible, offer options rather than directives. Moreover, human resources must constantly assess how and how well it delivers services. The human resources practitioner must maintain an identity with the nonacademic support functions of the institution while providing quality services to both the academic and nonacademic institutional elements.

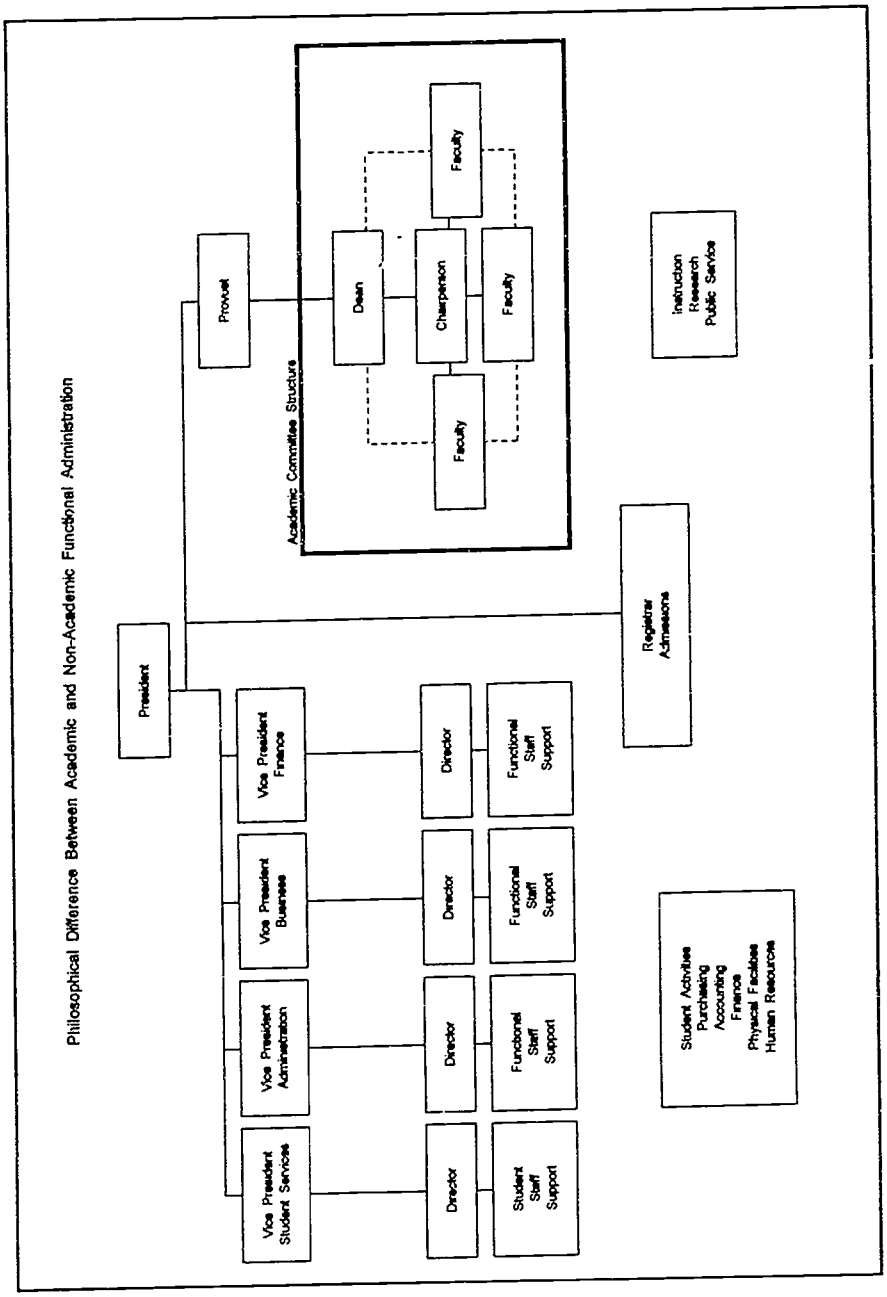
THE DIRECTOR

The responsibility for creating this type of environment primarily rests with the director of the human resources unit. The director's first charge is to establish and nurture positive, credible relationships with the college and university community so that he or she can understand its needs, meet them, and create an environment conducive to success. To be effective, this client-sensitive attitude must prevail throughout the human resources unit. The human resources director must empower his or her staff to promote and provide a focused, service-oriented approach to the community.

To develop relationships with clients, the effective director must listen to the needs of the users of human resources services. Communication skills are essential. The human resources director must be able to communicat-

FIGURE 15.1

HUMAN RESOURCES ORGANIZATIONAL STRUCTURE



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both orally and in writing to a diverse community—a community with different cultural needs and educational backgrounds. He or she also must be able to determine and understand not only what the user or employee says, but also what the user or employee means. Written communications must provide guidance, interpretations, or resolutions in an easily understood manner.

Providing effective human resources support to an academic community requires the human resources director to meet the unique needs associated with each support unit's environment. These needs include issues of concern to deans and department chairs as well as those stemming from the institution's political structure.

RELATIONSHIP WITH OTHER DEPARTMENTS

Other relationships that the human resources unit must consider are those with the local community, union representatives, and, of course, employees—faculty and staff. These relationships will affect both the director and the human resources program as a whole. When these relationships are considered and nurtured, the human resources program is in a better position to meet the needs of these groups through program initiatives and philosophy.

Educational institutions, by the nature of their mission, seek to serve. Their ability to provide this service—education—is proportionate to the productivity of the employees. With this in mind, the human resources director and staff must develop policies and procedures that encourage productivity and are creditable—not ones that are established because of the likes or dislikes of individuals. These policies and procedures must support the institution's academic mission while they comply with rigid federal and state workforce laws. If the director does not meet these criteria, the entire human resources program will, in effect, be useless.

DEPARTMENTAL ORGANIZATION

The director of human resources generally reports to a vice president—usually the vice president of business, finance, or administration. This structure and line of authority enables the vice president to monitor fiscal liability at the institution. It also establishes accountability with respect to both the fiscal and the human element at the institution.

Beyond this structure, other factors may influence the human resources program—variables over which, more often than not, the director has little control. For example, fluctuations in budget, union influence, the president's focus, competition in the local labor market, federal government influence,

administrative focus (deans and chairpersons) may affect the director's administrative function.

The size of a college or university is a major factor in determining the functional organization structure of the human resources department. Smaller institutions might choose to combine activities associated with employment, labor/employee relations, and the training and development functions, while leaving the benefits and wage and salary functions as separate reporting entities.

A variation of this structure might incorporate benefits activities into wage and salary's purview of responsibility—or vice versa. This type of functional organizational structure also may be useful for a larger institution. It allows the analytical and human relations functions to be grouped together. Grouping human resources tasks in this way permits human resources practitioners to be more accurate when selecting staff members with the skills and talents needed to maximize the delivery of human resources functions. The number of staff members varies greatly depending upon the size of the institution, the priority assigned to expedite services, and institutional discretion.

Whatever organizational structure an institution chooses to implement, all service delivery systems must be sensitive to users' needs and strategically deployed. To be an effective support unit within the institution, the human resources program must focus on strategic planning for the development of all services. This process must be augmented by a good communications program—one that complements each goal established by each functional area of personnel and encourages client-sensitive relations with the academic community.

HUMAN RESOURCES FUNCTIONS

Any human resources program involves the administration of a number of functions. Whether the educational institution is a large, comprehensive research-oriented university or a small, liberal arts, independent institution, there is a degree of commonality associated with the human resources program: any program must provide support services that facilitate and complement the institution's academic mission.

These support services include employment (recruitment and placement), training and development, labor and employee relations, wage and salary administration, and benefits and services. Smaller institutions may not have all of these functions within the human resources department. Still, the employment, employee relations, and wage and salary functions generally are located in human resources regardless of the size of the institution.

Administrators should be familiar with the activities in each area of human resources. Figure 15.2 does not encompass every human resources function, but it does provide an idea of the way in which tasks may be divided.

Another function that has recently emerged in the human resources organization is the records and processing (reporting) function. Traditionally, this function was shared throughout the institution. However, a centralized records unit has proven to be extremely beneficial when responding to inquiries from inside as well as outside the institution. The centralized records and processing function also facilitates payroll processing, because one area creates new employee profiles and, in turn, places them into the institution's payroll system.

STRATEGIC IMPLEMENTATION OF FUNCTIONAL INITIATIVES

One way for the human resources practitioner to ensure successful implementation of goals is to embrace strategic planning. Strategic planning is by no means a new management concept. Although rarely associated with human resources, it can be an effective way for the human resources practitioner in higher education to ensure quality, productivity, and maximum effectiveness.

For the human resources practitioner to use strategic planning effectively, he or she must notify and counsel individuals on what to expect from the goals or initiatives that will result from the planning process. By doing this, the practitioner may diminish uncertainty, nurture positive relationships, and allow the opportunity to identify and then focus on the institutional community's specific needs.

A strategic planning exercise that may be adapted for the human resources program includes five major elements:

- Identification of users' need(s)
- Maintenance of existing programs
- Development of initiatives based upon need as well as existing program focus
- Assessment of staffing assignment
- Communication—including promotion and marketing

To determine users' needs, the human resources practitioner must probe the community regarding what it expects and needs from the services

FIGURE 15.2

HUMAN RESOURCES ACTIVITIES BY FUNCTIONAL AREA

EMPLOYMENT

- Recruitment
- Development of advertisements
- Departmental visits
- Assistance with job requisitions
- Job posting
- Interviewing
- Coordination of referral activity
- Reference checking
- Coordination of employment physical
- Test administration
- Applicant screening
- Coordination of professional employee searches
- Payroll forms processing
- Maintenance of applicant and employee files
- Administration of transfer, promotion, demotion actions
- Verification of employment inquiries
- Maintenance of reports, statistics, and supporting documentation

TRAINING AND DEVELOPMENT

- Orientation for new employees
- Apprenticeship training
- Coordination of off-campus courses
- Supervisory training
- Coordination of seminars, meetings, and other sponsored programs
- Development and maintenance of training publications
- Coordination of programmed training activities
- Professional development
- Career path tracking
- Maintenance of career development library
- Coordination of employee meetings
- Development of employee handbooks and other educational material
- Maintenance of all employee development and performance related information

LABOR AND EMPLOYEE RELATIONS

- Labor negotiations
- Union contract interpretations
- Administration of progressive disciplinary procedures
- Administration of grievances
- Arbitration
- Coordination and liaison with any labor union
- Organization orientation
- Union elections
- Interpretation of policies and procedures
- Administration of probationary counseling program

WAGE AND SALARY

- Administration of nonacademic pay plan
- Overtime
- Shift differential
- Incentives and merit plans
- General wage increases
- Bonus program
- Supplemental pay programs
- Salary controls
- Job analysis
- Job classification
- Job grading
- Job pricing
- Salary surveys
- Salary analysis
- Equity evaluations
- Maintenance of report and records required by the Fair Labor Standards Act, Equal Pay Act, and other federal and state laws

BENEFITS AND SERVICES

- Health, accident, life insurance plans
- Long-term disability plan
- Retirement program
- Flexible benefits plans
- Supplemental insurance plans
- Benefits handbook
- Employee counseling
- Financial planning
- Preretirement planning
- Claims assistance
- University leave programs
- Accidental death coverage
- Legal aid
- United Way
- Thrift programs
- Credit union

offered by the human resources department. This process is not an easy task, and must be administered carefully to ensure that users' reactions are not confused with specific needs.

Methods and instruments that may be used in the identification process include surveys, evaluations of existing program services (to avoid duplication of services and identify the need or opportunity to modify existing delivery systems), and regular meetings with key users to identify programmatic needs.

This process must involve the entire human resources staff—staff members who are involved with administering functional services, as well as the director, who must guide this developmental process and ensure that any legally required provisions are adhered to when a new initiative is undertaken.

Responding to users by developing appropriate initiatives is an important step in the strategic planning process. Questions to ask include: Will the new initiative be beneficial throughout the institution? What political and administrative implications will this process have across the institution? Will the new process be worth the staffing, time, and administrative effort to implement? How can this new process best be incorporated into the existing program format? Is it affordable?

Once the developmental assessment is completed and the consensus is that the new initiative is feasible, a staffing assessment must be performed. This exercise is an integral part of the process, for it identifies the people best equipped to implement and administer the initiative. Skills, talents, previous experience, existing workload(s), and long- and short-range staffing allocations must be considered. These are essential criteria for selecting an individual or building a team to administer the initiative. A contingency plan also must be developed so that lapses in productivity during implementation of the new program may be avoided. Such a plan should consider continuity of the initiative based upon long- and short-term budget and funding sources.

The community will find a new service disconcerting if the service is promoted and even implemented only to be discontinued because of budgetary crisis. This also would be detrimental to the credibility of the human resources program. Thus, the department must be straightforward about any potential funding problems as part of its communication efforts.

Deciding when the initiative will be offered also is an extremely significant factor in the process. Implementation of the newly identified effort must be assessed so that it will have the maximum positive impact on the academic community. For example, if several new processes or services

are needed, it is best to phase in each new initiative rather than plan the implementation all together. The beginning of the academic year is a good point at which to start—the calendar should be reviewed so that communication, promotion, and marketing will reach the targeted audience and have the maximum positive effect.

Finally, all the effort and benefits associated with adding a new process or modifying an existing one are useless unless the client community knows about the change, understands the change, and feels good about the change. Further, this change must be aligned with the division's overall commitment to service. To achieve this, the human resources practitioner must use both written and oral communication.

A concerted public relations effort can aid this oral and written approach. Human resources is a technical profession. Even though the focus is on the human element, it is limited to the processes and procedures evolving from federal, state, or institutional regulations. In turn, the human resources practitioner often does not possess the skill to communicate the technical aspects of the program from a marketing and public relations posture. This talent is usually associated with the public relations profession. Maintaining a public relations staff person in the human resources program can help when developing a comprehensive communication approach that omits technical jargon or "legalese" and provides easily understood, positive messages.

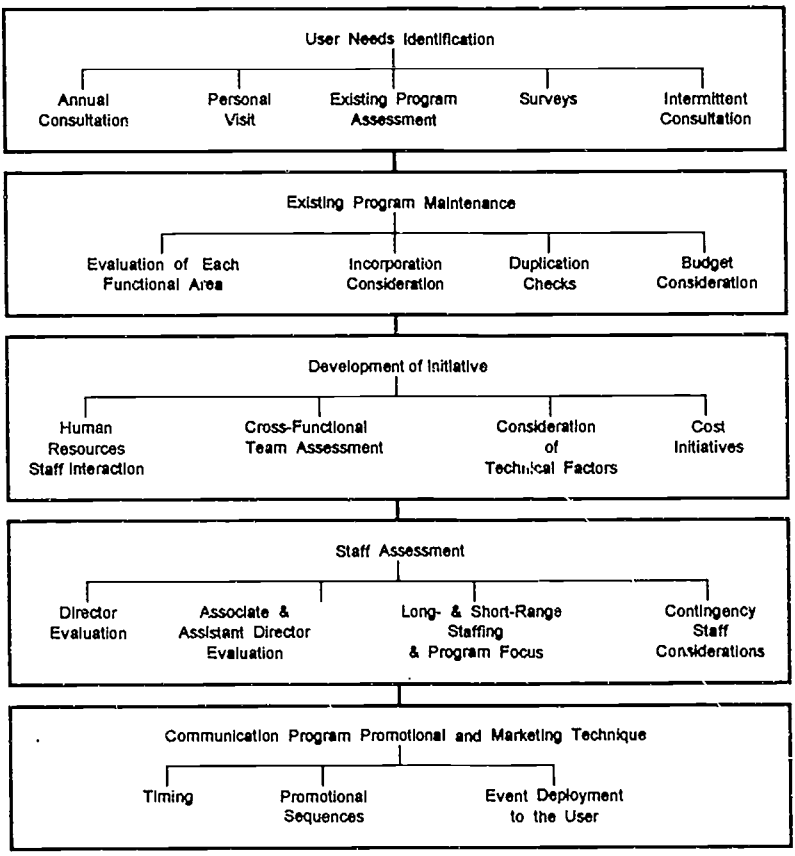
Marketing is a significant factor in gaining receptivity and assuring effectiveness. Promotional campaigns must be timed carefully with the deployment and implementation of processes. Like pieces of a puzzle coming together to form a picture, the strategic planning process should encourage comprehensive involvement by the entire institution. In this way, there are no blind spots or unknown variables that the community will encounter. In essence, a partnership is created. One way this partnership may be achieved is detailed in figure 15.3, which shows an approach to strategic planning and deployment of an initiative.

A VISION FOR THE FUTURE

Human resources in higher education is no longer the simple task it was several decades ago. Laws and regulations will continue to evolve, requiring colleges and universities to refocus institutional policy and procedures to achieve compliance. The human resources program must be able to anticipate future trends, envision needs and changes, and administer services that will complement the academic objectives of the university rather than deter its progress.

FIGURE 15.3

ONGOING STRATEGIC DEPLOYMENT OF FUNCTIONAL INITIATIVES



A one-person, "back-room" organization with a robotlike approach to the delivery of services cannot be tolerated. The human resources program must be carefully structured and staffed with technically competent employees who are capable of communicating in a positive manner with the academic community. The director of human resources must—with assistance from senior management—be skilled in the development of sophisticated operational and service delivery systems to administer human resources efficiently.

The human resources department must continually nurture relationships with its academic counterparts. An ongoing effort must exist to keep academics informed about the human resources function. This type of approach will facilitate a partnership between academic and nonacademic units. The resulting partnership will foster respect for the different philosophical approaches within this environment and move the institution towards its primary goal—education.

NOTES

1. Jacque K. Boyer and E. Criggs. *Equal Employment Opportunity Program Development Manual* (Washington: Government Printing Office, 1974).
2. U.S. Department of Labor, Wage and Hour Division, *State and Local Government Under the Fair Labor Standards Act* (Washington: U.S. Department of Labor, 1985).
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CONTRIBUTORS

SIGMUND G. GINSBURG (Editor) has been vice president for finance and administration at Barnard College since 1984. He was vice president for finance and treasurer at the University of Cincinnati (1978-84), vice president for administration and planning and treasurer at Adelphi University (1972-78), and assistant city administrator in the Office of the Mayor, City of New York (1967-72). Mr. Ginsburg teaches human resources management courses in the Graduate School of Business Administration at Fordham University, was an adjunct professor of business administration and higher education administration at the University of Cincinnati, and has taught at four other institutions. Mr. Ginsburg received the Neal O. Hines Publications Award from NACUBO in 1992. He is the author of *Ropes for Management Success: Climb Higher, Faster* and *Management: An Executive Perspective* and coauthor of *Managing the Higher Education Enterprise*. He wrote the chapter, "Human Resources Management and Employee Relations," in *College and University Business Administration*, fifth edition, as well as chapters in five other books, and is the author of more than 100 articles. Mr. Ginsburg holds a B.A. from Dartmouth College and an M.P.A. from Harvard University.

BARBARA BUTTERFIELD (Chapter 6, Flexible Work Alternatives) is vice president for faculty and staff services at Stanford University. Before coming to Stanford, Ms. Butterfield held the position of vice president for human resources at the University of Pennsylvania. She combines her extensive expertise in higher education human resources management with a personal leadership style focused on a highly productive and rewarding businesslike environment.

ANNE CASEY (Chapter 6, Flexible Work Alternatives) is a training and organizational development specialist at Stanford University, where she designs and conducts a variety of training programs for staff and management. Prior to coming to Stanford in 1988, she was executive director of the Parent Involvement Program, which she founded to provide educational and support services for families. Ms. Casey's 20 years in the fields of training, organizational development, and human services in both profit and nonprofit organizations form the foundation of her commitment to building productive work environments that foster creativity, diversity, and professional development.

GERI CURWIN (Chapter 8, Training and Development) is senior employee relations administrator at the Rochester Institute of Technology (RIT). During her 10 years at RIT, Ms. Curwin has developed, designed, and presented hundreds of training programs. She developed and coordinates a formalized customer service program that

has been recognized by the College and University Personnel Association and the American Management Association. Before her move into human resources, Ms. Curwin taught at several universities and continues to teach management and leadership as an adjunct faculty member at RIT. She holds a master's degree in humanistic education and a master's degree in career and human resource development.

H. CLINT DAVIDSON, JR. (Chapter 10, Health Care Benefits: Cost Management Strategies and a Planning Model) is associate vice chancellor for human resource services at Vanderbilt University. He came to Vanderbilt in 1985; prior to that he served as director of personnel at the University of Rochester. Mr. Davidson has served as a consultant to business and higher education in the areas of compensation administration, interviewing and selection, benefits administration, and affirmative action. He holds a bachelor of business administration in personnel management from the University of Oklahoma and has completed graduate courses in business management and labor relations at the University of Oklahoma and the University of Michigan. Mr. Davidson is a 1988 graduate of Harvard University's Institute for Educational Management.

R.W. DENTON (Chapter 2, The Human Resources Implications of Organizational Change) is vice president for business and finance and treasurer of the University of South Carolina. He teaches courses on a variety of business administration subjects in the College of Business Administration and has participated as a faculty member in the College Business Management Institute at the University of Kentucky. Mr. Denton has served in several capacities with the Southern Association of College and University Business Officers and is currently first vice president and president elect. He is also chair of NACUBO's Professional Development Committee. Mr. Denton has had articles published in national and regional journals, and has written chapters in several books. He holds a bachelor of science, a master of business administration, a master of accountancy, and a doctorate of education from the University of South Carolina.

COLLEEN DOLAN-GREENE (Chapter 4, The New Workforce, and Chapter 11, The Next Generation of Benefits) has been assistant vice president for academic affairs—personnel at the University of Michigan since 1987. From 1980 until 1987, she was assistant personnel director and personnel administrator for the Schools, Colleges, Institutes, and Libraries Personnel Service Center at the University of Michigan. Prior to joining the University of Michigan, Ms. Dolan-Greene served as director of university personnel at the University of Detroit, and as the labor relations and equal opportunity manager at Oakland University in Rochester, Michigan. Throughout her professional career, Ms. Dolan-Greene has been active and held leadership positions in numerous professional organizations. She has had chapters published in two other books. Ms. Dolan-Greene holds a B.A. from Mount St. Scholastica College and an M.P.A. from the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin.

JOEL M. DOUGLAS (Chapter 13, Collective Bargaining) is a professor of public administration at Baruch College of the City University of New York, where he has been a member of the faculty since 1978. Mr. Douglas is widely published and has written primarily on public sector labor relations, the labor injunction, the emerging labor law of public sector labor relations, and collective bargaining in higher education. From 1978 to 1992, he served as the director of the Baruch College National Center

for the Study of College Bargaining in Higher Education and the Professions. Mr. Douglas is an active mediator and arbitrator, and is a member of the National Academy of Arbitrators. He has participated in numerous labor impasses in both the private and public sector and frequently speaks on these topics. Mr. Douglas earned a doctorate from New York University and master's degrees from the State University of New York at Albany and the graduate faculty of the New School for Social Research.

JANET FUERSICH (Chapter 9, Compensation Strategies and Policies) is a partner in Coopers & Lybrand's Human Resource Advisory Group. Her primary responsibility is the human resource and compensation consulting practice in the New York metro region, with additional national responsibility for compensation services and product development. Prior to joining Coopers & Lybrand, Ms. Fuersich was associate director for the Executive Compensation Service of the American Management Association. She is a member of the American Compensation Association, the American Society of Personnel Administration, the New York Personnel Management Association, and the New York Compensation Association. She has a B.A. from Queens College and an M.B.A. from Fordham University.

JOHN A. HEIDLER (Chapter 15, The Changing Nature of Human Resources Administration in Higher Education) has been director of university personnel services at the University of Florida, Gainesville, since 1989. Previously, he was director of the office of university personnel services at Oklahoma State University, director of personnel and affirmative action at Trinity University, and on the staff at Auburn University. Mr. Heidler is active in a variety of professional and civic associations, and serves as chairperson of the Southeastern Personnel Directors Consortium and on the NACUBO Benefits and Personnel Committee. Mr. Heidler has developed training programs and provided instruction and workshops on a wide variety of human resources topics and has prepared various employee handbooks and presentations. He holds a B.S. in business administration from Auburn and an M.S. in personnel administration from Troy State.

DAVID M. JOHNSON (Chapter 7, Performance Evaluation), a senior manager in the Cleveland office of Deloitte & Touche, serves as assistant national director of higher education consulting services. Mr. Johnson has consulted with more than 40 colleges and universities over the last several years. His areas of expertise include performance evaluation, total quality management, business process improvement, and administrative information systems planning/implementation. Mr. Johnson is a frequent speaker at many national and regional conferences. He has a B.S. in accounting and an M.B.A. from Bentley College.

BETH KANE (Chapter 6, Flexible Work Alternatives) is director of administration for the Stanford Center for Research in Disease Prevention. For the 18 years before coming to Stanford in 1989, Ms. Kane owned, administered, and taught preschool and elementary Montessori school throughout California. Both as an employer and as a parent of three teenagers she is particularly sensitive to the constant demands of balancing work and family. Ms. Kane holds an international teaching degree from Maria Assumpta College in Dublin, Ireland.

LOUIS R. MORRELL (Chapter 1, Human Resources Management: The Key to Financial Stability) was appointed vice president for business and finance and treasurer

at Rollins College in 1991. Previously he was financial vice president and treasurer of Radcliffe College, associate treasurer of Smith College, director of the office of budgeting and institutional research at the University of Massachusetts at Amherst, and controller of Smith College; he also worked for the Burroughs Corporation. Mr. Morrell was awarded the Neal O. Hines Publications Award by NACUBO in 1991. He is the author of more than 50 articles dealing with higher education, financial management, retirement, pension plans, and endowment management, which have been published in *The Boston Sunday Globe*, *The Christian Science Monitor*, *The Chronicle of Higher Education*, *Journal of the Association of Governing Boards*, *Business Officer*, *Academe*, *NAIS Administrative Forum*, and other publications. Mr. Morrell has also published several monographs and chapters in books. He holds a B.S. from Babson College and an M.B.A. from the University of Massachusetts.

PATRICIA ANNE PALMIOTTO (Chapter 8, Training and Development) is manager of training and development at Dartmouth College. Dartmouth's training and development services include workshops, career counseling, a career assessment center, a lending library of books and cassette programs, a tuition-assistance program, and internal consulting. She has presented workshops and consulting services to national professional groups and not-for-profit organizations. Ms. Palmiotto has a master's degree in human resources management.

ALCESTE T. PAPPAS (Chapter 3, Leadership for a New Era) is president of the Pappas Consulting Group, Inc , an Alliance Firm of KPMG Peat Marwick, which is dedicated to the delivery of strategic management services to institutions of higher learning and nonprofit organizations. Ms. Pappas served as director of the California Alumni Association and as director of housing and child care services at the University of California. She joined Peat Marwick Mitchell in 1979. In 1992, Ms. Pappas and KPMG Peat Marwick created a new way of delivering strategic management services through the Pappas Consulting Group, Inc. Ms. Pappas is a frequent speaker and teacher at university and professional association events. She authored a chapter in a 1989 College and University Personnel Association Monograph on Managing Change and is currently working with a coauthor on the second edition of *Managing Today's University*. Ms. Pappas holds an A.B. from the University of California, Berkeley, a master's degree in counseling psychology from Harvard University, and a Ph.D. in the financing of higher education from the University of California, Berkeley.

MARGARET REGAN (Chapter 11, The Next Generation of Benefits) is a Towers Perrin principal and regional practice leader for human resources management. As Towers Perrin's national issue leader for Workforce 2000, she specializes in helping clients meet the needs of the changing workforce. Before joining Tower Perrin, Ms. Regan was the senior vice president of the New York Chamber of Commerce and Industry and led all aspects of training and personnel administration for ConEdison. Ms. Regan is a member of the Governor's Commission on Child Care, a commissioner of the NYC Commission on the Status of Women and the Workforce 2000 Task Force of the NYC Board of Education, former chair and member of the Business Committee for the Special Placement of the Handicapped, and chair of the NYC Board of Education's Advisory Council on Occupational Education. Ms. Regan received a bachelor's and a master's degree from Brooklyn College and is a Ph.D. candidate at Fordham University.

CONTRIBUTORS

ADRIENNE S. RILEY (Chapter 5, Quality of Work Life) is assistant vice president for human resources at the University of Pennsylvania, where she has also been an instructor in the Management Department of the Wharton School. Previously she was director of compensation for the University of Virginia and its hospitals. Ms. Riley has also been employed by the Folger Shakespeare Library, the Italian National Petroleum Agency, the Istituto di Puericultura in Perugia, Italy, and the Fondazione Giorgio Cini in Venice, Italy. She has a bachelor's degree and two masters' degrees, all in romance languages, from the State University of New York at Binghamton. Ms. Riley attended the Université de Neuchâtel in Switzerland and the Universita per Stranieri in Italy, and earned the certified compensation professional certification from the American Compensation Association.

SYLVESTER J. SCHIEBER (Chapter 12, Retirement Programs and Issues) is the director of The Wyatt Company's Research and Information Center in Washington, D.C., where he specializes in the analysis of public and private retirement policy and health policy issues. Prior to joining The Wyatt Company in 1983, Mr. Schieber served as the first research director of the Employee Benefits Research Institute. Before that, he was deputy director of the Office of Policy Analysis, Social Security Administration, and deputy research director of the Universal Social Security Coverage Study, Department of Health and Human Services. He serves on The Wyatt Company's board of directors and on the board of directors of the Employee Benefits Research Institute, and as a member of the Pension Research Council at the Wharton School, University of Pennsylvania. Mr. Schieber is the author of two books and numerous journal articles and policy analysis papers. He holds a B.A. from St. Benedict's College and an M.A. and a Ph.D. from the University of Notre Dame, all in economics.

MANOJ P. SINGH (Chapter 7, Performance Evaluation), a partner in the Cleveland office of Deloitte & Touche, serves as the national director of higher education consulting services. He consults with colleges and universities in the areas of operations improvement, performance benchmarking and evaluation, and organizational restructuring. Mr. Singh is a frequent speaker at many national conferences including NACUBO's. He has a B.S. in electrical engineering from the Indian Institute of Technology and an M.S.I.A. from Carnegie Mellon University.

GARY F. TRUHLAR (Chapter 14, Human Resources Management Information Systems) has been associated with the University of Pennsylvania since 1973, where he is now director of human resources information management. From 1981 to 1988, Mr. Truhlar was director of management information services, and from 1977 to 1980 he was executive assistant to the senior vice president for management and finance. Mr. Truhlar is national advisor for human resources systems of the professional development board for the College and University Personnel Association (CUPA). CUPA awarded him the Fred C. Ford Award in 1992 for contributions to the human resources profession and its "New Ideas" Creativity Award in 1990. Mr. Truhlar holds a B.S. from Cornell University and an M.B.A. from the Wharton School.

RICHARD D. WERTZ (Chapter 2, The Human Resource Implications of Organizational Change) is in charge of business affairs at the University of South Carolina. He is also an associate professor in the College of Education, where he teaches courses on organization and management. Mr. Wertz has held administrative positions at three different higher education institutions and has had more than 25 years of experience

as an administrator and faculty member. He has published several articles as well as chapters in books and has made presentations at national conferences. Mr. Wertz is actively involved in the South Carolina Public School System. He holds a bachelor of science and master of education from Penn State University and a doctorate of education from Columbia University.

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