



**College and University Professional
Association for Human Resources**

You *Can* Get There From Here: The Road to Downsizing in Higher Education

Second Edition

**Chapter 15: The Employer/Employee Contract: Under
(Re)Construction**

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Chapter 15

The Employer/Employee Contract: Under (Re)Construction

During periods of reorganization, the rules underlying human resources policies and practices change, resulting in a new psychological contract between the academic institution and its faculty and staff. As financial and other resources become scarcer, the institution can no longer offer employees the same rewards and benefits in exchange for their service, and the institution's expectations of what employees must provide in the way of service also change. In response to changed terms and conditions from their employer, employees also reconsider what they are willing and able to do, as well as what they expect in return.

During significant economic downturns, institutions are hit with a financial one-two punch that makes revising the employer/employee contract complicated. After an initial period of decline, when endowments are severely reduced and alumni contributions and grants decrease sharply, colleges and universities make the necessary adjustments to stabilize their budgets for the near term. As the next fiscal year begins, however, they may realize the downturn was deeper than hoped for, with a longer and slower recovery than desired. They may have to start considering longer-term changes as well as additional short-term modifications to adapt to new financial realities.

Although economic downturns produce significant challenges for academic institutions, they also give leaders a chance to help their institutions emerge as stronger entities that are better able to tackle challenges and take advantage of opportunities. The key to navigating such treacherous stretches of road is to focus on being as smart as possible and viewing the time, effort and energy spent today as an investment in the growth and success of both the institution and its employees.

Fiscal challenges are not the only factors contributing to the need for a revised employer/employee contract in higher education in the early 21st century. Additional compounding factors that institutional leaders have to deal with include:

- **Macroeconomic shifts and trends.** Although the U.S. economy is constantly evolving, it is now undergoing rapid change that is more revolutionary than evolutionary. Several of the most significant trends that have both a direct and an indirect impact on higher education include the green movement/environmentalism, increasing healthcare costs and reform initiatives, energy management and ongoing advances in information technology, digital communication and social media. Globalization continues apace, with developing countries advancing more quickly than established economies, presenting challenges and opportunities on a regular basis.

- **Changes in the regulatory landscape.** Macroeconomic shifts and trends, combined with changes in demographics and political leadership, combine to create a very active period of policy setting and revision. Many changes – including education bills, healthcare and social service reform and regulatory and legislative revisions – could have significant implications for colleges and universities as both employers and educational institutions.
- **Increased competition and resulting changes in institutional “business” models.** Community colleges, junior colleges and four-year institutions have coexisted for decades, but the distinctions among them have become increasingly blurred as student demographics, technology and demand have changed. In addition, the rise of for-profit institutions and on-line education has created new educational providers and delivery models to challenge the traditional face-to-face approach. Finally, although applications and enrollments often increase during recessions, students during economic downturns have greater financial needs and are more concerned about the return on their educational investment. Given all these factors, students are willing to shop for courses, programs and institutions that best fit their expectations, lifestyles and wallets. Colleges and universities need to be very strategic and continually adapt to remain competitive.
- **Strengthening relationships with local communities.** The notion of “thinking globally and acting locally” seems to be gaining a stronger foothold in academia. Colleges and universities have always been significant employers in their communities. Now there is growing focus on strengthening ties with the local business community, public school systems, philanthropists and government officials. As these ties grow, there are often strings attached, which increases the potential influence that “outsiders” have on how institutions are governed and led.
- **Increasing diversity of the employee population.** Faculty and staff have become more diverse over the past couple of decades, and diversity is increasing in both breadth and depth. In addition to more women, more people of color and more people who were not born in the U.S., generational and lifestyle diversity are becoming more pronounced. Generational diversity creates some of the greatest challenges, particularly when the needs and expectations of the members of the oldest generation are contrasted with the needs and expectations of the members of the youngest generation. They seem to be at opposite ends of the spectrum on just about every issue, and those differences tend to dominate both talk and action.

In addition to directly affecting the evolution of the employer/employee contract, advances in information technology, digital communication and social media also indirectly affect the contract by changing the means and speed with which employees receive information about what is happening, both on their own campuses and on others. As a result, employees’ perceptions and engagement are influenced not just by what their own administrators are doing and what their direct peers are saying, but also by the actions, thoughts and feelings of individuals affiliated with other schools. When a restructuring or budget-cutting initiative is announced at one institution, news spreads almost instantly to other institutions, often

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accompanied by editorial comments. Employees end up with not just the facts, but also with the emotional reactions others have to those facts. As information technology exposes people more fully to what is happening regionally, nationally and internationally, it changes the nature of the employer/employee contract from one that had traditional institutional boundaries to one that has significant higher-education-wide components.

Looking in the Rearview Mirror: Where Have We Been?

As U.S.-based educational institutions have evolved, changes have been necessitated in the employer-employee contract. During much of the 20th century, higher education experienced significant periods of growth and stability. As a result, certain features of the employment contract came to be considered near-permanent parts of the bargain struck between faculty/staff and administration. Many of these features were thought to be strengths of academic institutions vis-à-vis commercial enterprises and were touted as differentiating points of pride that became integral parts of the cultural values of many schools. Some of these features, which were discussed in the earlier edition of this book, include:

- A strong sense of community within the institution, reflected in shared governance and egalitarian ideals, as well as close interpersonal relations and a sense of being family.
- A paternalistic approach to compensation and benefits, considered to be entitlements necessary to offset the relatively lower compensation offered in academia. This was accompanied by a “high-touch” approach to human relations, with an emphasis on customized service to meet individual needs.
- Security and stability, with an unwritten promise that a person could have lifelong employment if he/she wanted it and met basic performance standards.
- A relatively relaxed and enjoyable work environment with a schedule that generally followed the ebbs and flows of the academic calendar.
- A focus on the past, in terms of highlighting the institution’s achievements, history and traditions, an emphasis on institutional memory/legacy thinking and maintenance of the status quo with respect to operating procedures.
- Strong connections between individual and school identities, with everyone sharing a sense of pride in the institution’s accomplishments (both academic and athletic).

In the early 1990s, many of the traditional elements in the employer/employee contract were revised and/or replaced in response to the fiscal challenges institutions faced as a result of that era’s economic downturn. Some of these elements were viewed as being dysfunctional in that they limited institutional efficiency and effectiveness and did not reflect a necessary focus on financial management. There was a call for academic enterprises to function more like business enterprises, with increased performance expectations and individual accountability, less paternalism and relationship-oriented management and a greater emphasis on fiscal

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management, process design, performance measurement and quality improvement. Diversity was emphasized over homogeneity and there was a movement to promote egalitarianism, not just in words, but also in action (in response to the perceived protection faculty received in comparison to staff).

In the previous version of this book, particular emphasis was placed on accountability and performance as elements of the “new” employment contract. The emphasis shifted away from the group to the individual and autonomy and self-management were emphasized over teamwork and consensus-building as well as the “benevolent dictatorship” form of leadership often provided by administration. The underlying theme was to promote professionalism in all university roles, with an emphasis on individual contributions, performance and career management rather than organizational membership and loyalty.

In conjunction with these changes in the employer/employee contract, many institutions moved toward decentralizing administrative and support functions to individual schools, departments and research centers. As noted in the previous edition of this book:

Decentralization, which often is a product of the downsizing effort, brings with it enhanced autonomy, accountability, responsibility and pride in achievement. With the transition to this new code of conduct, this new campus climate, this new employer-employee "contract," the nation's colleges and universities will have matured. They can downsize, prioritize, reorganize and maximize their efficiency for perpetuity.

There were also, however, institutions that responded to their financial challenges by *increasing* centralization, thinking it would bring about enhanced efficiency through centralized control and smaller staffs. In other words, there was a tendency for management to make significant structural changes to adapt to their current circumstances by moving the centralization pendulum in the opposite direction.

Making a Pit Stop: Where Are We Now?

As a necessary step in determining how to recalibrate the employer/employee contract to adapt to present realities, it is useful to reflect on how academic institutions have adapted to the changes that were initiated during the last economic downturn. What “new” elements have gained a foothold? What “old” elements have persisted? What challenges have remained? What new challenges have arisen? A few thoughts:

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- During the latest downturn, there has been a renewed call for increases in performance expectations and accountability, but they have not been well received. If they were asked, faculty and staff today would bristle at the notion that they are not held sufficiently accountable for their actions. Many believe they are already doing more with less and resent the implication that staff is bloated and inefficient. They take any commentary regarding organizational inefficiency personally, which hurts both engagement and morale. Given these responses, it appears that these elements are an integral part of the existing contract. That is not to say that academic institutions are models of efficiency – as for all organizations this is an ongoing challenge – but the *need* to strive for enhanced individual and collective performance is now permanently woven into the fabric of campus life.
- Paternalism and an emphasis on community and family are still prevalent on college campuses. Given the persistence of these values over time, it is probably unrealistic to expect academic institutions to convert completely to a business model – or certainly not as quickly as some people would expect.
- It is unlikely that anyone in an academic institution felt that a sense of security and stability had returned after the last significant downturn. Even during economic upturns, there were always financial challenges, which – combined with the ongoing emphasis on performance and accountability and the intermittent instability in other economic sectors – reminded everyone of the tenuousness of their positions. From an employment perspective, the notion of an ivory tower protected by an unassailable moat is long gone.
- Like paternalism, the tendency for individuals in academic institutions – particularly traditional four-year colleges and universities – to emphasize the past over the future has been a hard “habit” to break. In spite of new buildings, new strategic plans and initiatives, new administrative leaders and new colleges, degrees and programs, many faculty and staff have a tendency to lament the loss of the “good old days.” This is probably the result of a combination of factors, including people’s general resistance to change, the perceived loss of valuable benefits and perks over time and the relatively stable tenure of employees in academic institutions (versus business enterprises).
- An acknowledgement of diversity and the need to be responsive to the diverse needs of faculty and staff has become an integral part of the new employment contract. Nevertheless, as the definition of diversity has expanded and more people assert their rights, the ability for institutions to meet those needs has become increasingly complex and challenging. In particular, the cultural tension between “old” and “new” is probably greater now than it has ever been. There are still many people who want to keep higher education “old school,” and they can be loud and vocal resisters to change. The differences between them and newer faculty/staff are increasingly dramatic, and that makes it virtually impossible to come up with a “one-size-fits-all” approach. Leaders are reluctant to support widespread customization (with good reason), however, and seem very conflicted about which “side” to choose. Although accommodating diversity is a “given,” the ways in which that gets done are not.

Change is a decidedly non-linear process, and progress occurs in a recursive fashion. For a variety of reasons, some of the “new” employment contract elements have been easier to implement than others, but no one should assume that the new elements that were proposed during the last contract revision are the best elements to emphasize going forward. While some certainly make sense for all organization types in all sectors, that does not mean they should be implemented wholesale. The positive cultural aspects of colleges and universities that are not as readily evident in the corporate world also need to be recognized and used to increase efficiency and effectiveness.

Moving Forward: Navigating the Road Ahead

Although it is not the only contributing factor, the recent economic downturn provides both an incentive and an opportunity for academic institutions to reconsider the nature of their current employer/employee contracts and determine what they want them to look like in the years ahead. These contracts are likely to include the following characteristics:

- **There will be no single employment contract.** Historically, there probably never was. While it is easy enough to recognize that there were different relationships and agreements for faculty and staff, given the rapidly increasing diversity of the employee population in academia, the need to have a more nuanced approach to the employer/employee relationship has increased as well. The key for leadership will be to balance the competing and sometimes conflicting needs of the many stakeholders to devise rational and equitable policies, programs and procedures.
- **Ongoing uncertainty is a given.** Change has become the new constant and will likely remain so for the foreseeable future. The key to success will be remaining flexible and nimble enough to adapt while time retaining a core set of values and principles to serve as a guiding light.
- **The balance between past and future will be more clear.** The focus at both the organizational and individual levels must be on the future rather than the past, but the past will not be completely disregarded. There will be a better recognition that the past provides a great foundation for "who we are and why" even when the emphasis is on "who we will be." Maintaining that balance will help reduce resistance to change, increase engagement and allow institutional members to work together more effectively to achieve their strategic and operational goals.
- **Colleges and universities will continue to operate more like businesses.** The emphasis on operating efficiency and effectiveness and fiscal management will continue. There may, however, be a greater recognition that how those goals are defined and implemented must reflect the ways in which colleges and universities are unique, non-commercial (for the most part) enterprises. In other words, rather than adopting sound business principles and practices in a wholesale and automatic fashion, leaders of academic institutions should thoughtfully consider how those they should be tailored to produce strategic outcomes in their unique academic and operating environments.

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- **“Smart Centralization” will enhance both efficiency and effectiveness.** Leaders need to be very savvy about how to devise and maintain organizational structures that offer an efficient and effective balance between centralization and decentralization. For some institutions, many of the activities and functions that have been decentralized have created new challenges in terms of inefficiency, ineffectiveness, administrative growth and functional and personnel redundancies. As these institutions recognize that these activities and functions may be better handled centrally, there will be a move to consolidate them. Similarly, institutions that are heavily centralized may have administrative staffs that have become too large and inflexible, with individual positions defined in very narrow terms. They will be better served by having these functions run by a small cadre of administrators and staff who are more competitively paid and have greater flexibility about how they apply their growing competencies and develop their careers. For these staff, the notion of a job description will probably give way to the concept of assignments based on competencies required by changing tasks that support initiatives. This will make the statement “it is not in my job description” irrelevant. Institutions may also find that it is in their best interests to allow certain functions to be handled by outsiders, and there will be a move to outsource these functions. The key with all of these changes is to determine what makes the most sense for the organization to achieve not only its financial goals, but also its strategic goals.
- **Individual accountability and performance values will be tempered by collaboration and community.** The business values of accountability and performance will continue to be an indelible part of academic operations. As with other operating principles, however, they should not be implemented thoughtlessly. One of the great historical strengths of academic institutions is the value they place on community and shared governance. Collaboration will find new ways of manifesting itself due to the dialogue and interaction promoted by social media and other new communication channels/technologies. Leadership will need to increase transparency and will involve faculty and staff more in decision making, but not through the traditional cumbersome committee model. As evidenced by some of the examples in the preceding chapter on communications (*e.g.*, Cornell), the traditional “benevolent dictatorships” will be replaced by participative democracies.
- **There is no “guarantee” of a job for life, for either faculty or staff.** Staff have had to deal with job uncertainty for years, but faculty are becoming increasingly vulnerable as well. There will be an even stronger shift toward performance for all employees, perhaps even for tenured faculty. The days when any member of an academic institution could rest on his/her laurels and get by doing the bare minimum are likely to be numbered.
- **Paternalism will continue, but in a modified form.** Academic employers may still emphasize benefits and total compensation to a greater degree than their corporate counterparts, but the institution’s role may be more of a facilitator than a provider. Using the employee base as a point of leverage, they will continue to negotiate discounts for faculty and staff for various benefits such as day care, gym memberships, insurance and banking services rather than trying to provide these perks directly. They may also offer more educational programs in both health and money matters so employees are better able to manage these aspects of their lives.

- **Diversity management may require “mass customization.”** Given the impact that economic downturns have on individual retirement plans, employers are likely to see at least four generations in the workforce for many years to come. Layered on top of generational differences are differences in races, ethnicities, gender, countries of origin, disability and sexual orientation. As quasi-municipalities, colleges and universities have a wide range of professions and jobs represented in their employee populations. Neither “one size fits all” nor “anything goes” is a viable approach to meeting the needs of such a diverse population. As with other aspects of the employer/employee contract, a balanced approach is necessary. There should be a core set of policies and benefits that reflect the institution’s values and its legal/regulatory requirements that are applied to all employees. Where feasible, variations and alternatives should be developed to accommodate individual needs and reasonable expectations. With respect to benefits, institutions can develop modern-day versions of cafeteria plans or flexible benefits to reflect diverse needs. The key is to offer a manageable level of variety and to ensure that the entire set of offerings treats the general population as fairly as possible.

Although there are certain givens likely to characterize most employer/employee contracts in academia, each institution will need to undertake an effort to develop its own unique version. Ideally, academic administration, faculty and staff would work together to identify what each would like from the other and what each is willing/able to provide in fair exchange. A thorough approach to this would include the following steps:

1. Review archival material and conduct interviews with Human Resources staff to get a preliminary sense of the history and current state of the employer/employee contract.
2. Conduct discussions between respected members of faculty, staff and administration to calibrate and more fully flesh out needs and expectations necessary to a renewed employer/employee understanding or contract that delivers on campus mission and quality outcomes.
3. Survey a broader sample of faculty and staff to get their feedback on both current and future mutual expectations and statements of cultural values.
4. Identify implications for new policies and programs based on mutual and organizational success.

Throughout each stage of the process, participants in the discussion with leadership would keep employees apprised of progress and use social media technology (particularly those applications that support two-way communication) as a way of promoting additional dialogue and allowing people to have their voices heard through multiple channels. Though they may give up some control, leaders could let the conversation play out among employees as well as between employees and leadership. The more honest and transparent the process is, the more likely employees are to engage, and the more likely they are to support the eventual outcome, even it does not perfectly match their personal preferences.

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Hitting the Road

The process of defining the new employment contract can itself serve as a metaphor for the revised contract and the kinds of outcomes it can produce. The new employer/employee contract is as much about the journey as it is the destination – maybe even more. Like any good road trip, institutions need a general idea of where they want to go, how they want to get there and when they want to arrive, but they also need to remain flexible. There will be bad weather; unexpected twists, turns, and bumps; traffic backups (some with no apparent cause); and maybe even a fender-bender or two. There will, however, also be unplanned opportunities and detours that will enrich the experience and could even produce better outcomes than the charted course. Responding smartly and strategically to the inevitable surprises on any journey can ensure that institutions end up at a better destination than they might have on “the road not taken.”