ECONOMIC INCENTIVES OR DISINCENTIVES?

The Administration has announced that all academic personnel performing satisfactory service will receive raises of $500 each if they are on 9 months appointment or $610 if they are on 12 months appointment. In addition to these across-the-board raises there will be some merit raises. Approximately 30% of the salary adjustment funds will be devoted to these merit raises. Administrators are cautioned to "... not simply apply them in some arbitrary and nearly uniform fashion to a high percentage of the faculty." Instead they should recognize the extraordinary merit for not more a "minor, but still substantial fraction of the entire faculty... It would seem reasonable that less than half of the faculty would qualify..."

The Administration "regrets the inadequacy of the total resources available but believes that, consistent with the long-term policy of the institution, some discretion must be permitted and encouraged to recognize those individuals who have contributed more significantly than others to the function of the university." Consequently the Administration has rejected the recommendations of the Faculty Welfare Committee and the Joint OSEA-AAUP Salary Committee that all funds be divided across-the-board by a combination of lump sum and percentage increases.

Faculty group recommendations were based on the fact that the cost of living in the past ten months has increased 10% and the rise may be accelerating. With a total salary improvement fund of 5% there is no way which the funds can be distributed without the vast majority suffering a serious erosion of their living standards. This coming salary increase climaxes a four year series of raises in which each year the total salary increase percentage was less than the increase in the cost of living. The short-fall for most of us was substantially more serious. The majority have always received less than the stated average as set by the legislature. For example, while our neighbors would be expecting us this year to receive a 5% salary increase, most of us will receive only $500. On a salary of $12,500 the percentage is 4%. For a salary of $15,000 the percentage is 3-1/3%.

Surveys of faculty on this and other campuses show that when the expected cost-of-living increase is 5%, the majority oppose merit increases if the available funds for everyone total only 5% of the salary budget. When the available funds are equal to 10% (with a 5% cost-of-living increase), the faculty would divide them on the basis that half would be awarded across-the-board and the other half would be used for merit pay. We agree that the
incentive pay should be used to upgrade the faculty and to stimulate performance. However, we do not believe an effective system of incentives can be maintained with so little money.

Any highly mobile scholar of national reputation is likely to require incentives other than the monetary ones we can offer him. Unless his raises drain the salary improvement funds of his department his salary is not likely to keep pace those of scholars of similar stature elsewhere. Department chairmen dislike giving raises higher than their own and they hate to face colleagues who have to be slighted in order to provide raises for the stars. In any case, the star surrounded by low paid colleagues is likely to find his optimal professional advancement lies elsewhere. He may stay but not for the money we can give him.

Incentive pay on the scale offered in recent years is not likely to be effective for the lesser lights either. Most people will stay but will they be motivated? To test this proposition take a figure which represents the least raise your chairman would dare offer you. Then subtract it from the most you can conceive he would give you if you worked as hard as you possibly can. (To be realistic do not assume necessarily that you would receive the highest raise in your department.) You may call the difference your incentive margin.

Notice that the value of your home rises each year more than your incentive margin. Consulting fees can easily keep you ahead of the game and in time may give you independence. Even a textbook with only a moderate success can put you far ahead. Keep writing them and your salary itself can look small. If you can't do anything else, you can moonlight or make investments on credit. If money is your only incentive, you need do only what is necessary to keep your job. It is not economically rational to do more.

Why is it that most of us work hard regardless of the lack of financial incentives? It is because habits and values change slowly. Loyalty to the university, to our colleagues, and our students survive despite discouragement. We still have our professional pride. And we have hope, hope that collective bargaining will reverse the trend.

It is believed that collective bargaining will increase the salary improvement fund sufficiently that we can create an effective incentive system. With more money we can stimulate our people and at the same time afford some effective top scholars. They can add to our professional careers rather than pose threats to our economic well-being. We too wish to participate in quality education, but our wishes will never be granted unless we fight for them.

Lafe Harter
Department of Economics
April 2, 1974
In my opinion, Professor Bayne's April Faculty Forum Paper and Professor Drotning's talk at the April 10 AAUP-OSUA joint meeting were blows against the idea of collective bargaining on this campus which should not go unanswered.

Professor Bayne writes seductively, but he exhibits only superficial knowledge of collective bargaining. He suggests that employer-union relationships can be only "hard-headed . . . opposite," "fighting," "adversaries" affairs. In fact, employer-union relationships fall along a wide continuum ranging from open warfare to collusion. Most relationships fall in the middle ground: controlled conflict - accommodation - cooperation.

Precisely where a particular employer-union relationship falls on the continuum is determined more often than not by factors on the employer's side of the table. Employers generate in their employees attitudes and behavior patterns that tend to mirror their own.

Professor Drotning, a man experienced in collective bargaining, should have realized what he was doing. I spoke with him after the meeting, and he knows better. His message, essentially, was "Collective bargaining in higher education can be botched, and it was botched at SUNY." That's good to know, but it's not the whole message we needed to hear. We needed suggestions on how to avoid botching the process in Oregon. Drotning didn't provide them, leaving the impression that botching may be inevitable. An unfortunate impression, because it's not correct.

Collective bargaining is a way of dealing with certain kinds of problems. If you don't have the problems, you don't need it. If you have the problems, but are willing and able to solve them by yourself, you don't need it, either. But if you have the problems and can't solve them alone, it makes sense to think about joining forces with others who share your difficulties. Even by working together you still may fail to solve your problems. And it's true that you'll have to pay a price. But how viable are your alternatives?

Jack L. Rettig
Business Administration
April 13, 1974
PROFESSOR BAYNE ON COLLECTIVE BARGAINING -- COMMENT BY MURRAY WOLFSON

There is no doubt that Professor Bayne did the faculty a service by expressing his misgivings about collective bargaining in a clear and forthright fashion in the April issue of FACULTY FORUM PAPERS. I think he is wrong, but his appeal to reason makes it possible to discuss this issue in a reasoned manner. Moreover, Professor Bayne described the present situation in a manner that bears repeating:

That the faculty of this institution has entered a 'low era' in its morale is not open to debate. Dissatisfaction with how things are run and downright worry about prospective future developments in administrative prejudices and power are rampant; ... individual faculty members have been subject to unfair decision by insensitive administrators. Harsh decisions have been made and I have been as alarmed at them as we all have been....

He then identifies the cause of the situation:

The truths about harsh faculty treatment are met with the truth that this treatment results from two independent factors: the 'tight' economics of this period, and the development of an increased managerial staff and concomitant outlook in University governance. The scenario we need for a boost in faculty morale is an easing of the financial stringency and a more enlightened (educated?) outlook in some administrators. Neither of these is on the horizon at the time of writing.

Professor Bayne is telling us that a root cause of the present situation lies in the inadequate funds appropriated by the State Legislature for Higher Education, which constituted a reduction in the inadequate Governor's budget, which in turn was a reduction from the insufficient request by the State Board of Higher Education. He does not like the flirtation with managerial methods which have interested the President and others, but his own analysis shows that they are not independent of the crunch on Higher Education. Perhaps they are willing cogs in the wheel. Perhaps they regard the economics of the era as a fact of life, and view themselves as making the best of a bad situation.

 Probably the truth combines some of each, but it is clear that Professor Bayne's policies for remedy are in conflict with his analysis. What does he propose to do about the 'low era'? "Sit down with our administration and talk about objectives which we see as advantageous to our institution." He notes: "It is impressive to consider the support we have traditionally enjoyed from most quarters. Despite quotations to the contrary, we do have an array of supporters when it comes to matters of interest to the faculty; from the Offices of University President, Chancellor and indeed Governor, we have derived support in
achieving our present level of relative dignity and comfort..." That is to say, we are asked to reason with the very people who it has just been argued are not really able to do much to change the situation. What such an approach really boils down to is the following message to President MacVicar: "Go fight our battle with the Legislature for us! We will support you with our superior powers of reason, but you get in there and strike the rock and produce the money." It is hard to see how we can ask others to succeed in doing what we are unwilling to do for ourselves.

The reason that Professor Bayne is driven to this approach is that he misunderstands the nature of the current crunch in education in Oregon. He thinks the Legislature and its agents somehow do not understand what they are doing. Sweet reason will show them the error of their ways. There is no explanation in Professor Bayne's paper for "the 'tight' economics of this period", but he is sure that we can talk the Legislature out of it, without the 'adversary' relationship inherent in a contractual relationship, and, a fortiori, without a collectively bargained contract.

Professor Bayne over-estimates the force of reason, because he neglects the fact that the Legislature and its agent, The State Board of Higher Education are buyers of our services. If we must use the word 'adversary' to describe that situation, then so be it. These agencies are charged with husbanding the taxpayer's funds, getting the most for the least expenditure. Indeed, if they are rational, they will point out there are alternative uses for State funds clamoring to be implemented, and they would be derelict in their duty if they spent one penny more than they had to in order to operate the System of Higher Education. That puts the burden upon the faculty to demonstrate that an adequate amount is necessary for the operation of the universities, precisely because the faculty will not stand for either inadequate salaries or the "managerial revolution" which is derivative of it. That is the real appeal to reason, not sweet talk.

How is this appeal to reason to be implemented? Some years ago it was done by threatening to withhold our services; this was not a strike, but simply taking a job elsewhere or, more important, not coming to OSU in the first place. These were characteristic of a rising demand for academic labor. But now the situation has changed. Demographic and economic factors have made enrollments at Universities level off so that the market elsewhere is very tight in most professions. Moreover, the absence of growth in the Oregon system makes it unnecessary to attract substantial numbers of scholars from outside. The longer people live at one university, the more difficult it is to move, especially with the environmental advantages now so prominent in determining public tastes. Unless we act collectively to convince them otherwise, the Legislature will quite rationally observe that such decline in staff as may be observed, is precisely what they want to see happen in light of the diminished demand for education. They will sit on their hands. We have to convince them that they must improve the system financially.

How? Of course we could strike. We could have a quasi-strike over a 10 year period as the best brains leave OSU in response to offers elsewhere, despite the bad market conditions. Fortunately it is not necessary
to do this. The Public Employee Relations Act requires that collective bargaining be carried on in 'good faith' by both parties. They may agree to fact-finding and arbitration. 'Reason' takes on a different meaning under such circumstances. It amounts to maintaining parity and equity with similar situations elsewhere, and to the preservation of existing relations. Of course it is not 'reason' in the logician's sense of the word, but it has the effect of requiring that a compromise be reached between the positions of the bargaining groups. This is part of labor law for the very purpose of avoiding strikes except in complete breakdown situations. 'Reason', in this sense of the word, is on our side as the report of the Faculty Economic Welfare Committee which shared the issue of Faculty Forum Papers with Professor Bayne showed. OSU salaries are deteriorating with respect to other institutions, and with respect to Personal Income generally in the U. S. The salary schedules proposed by the Oregon State System of Higher Education themselves are ignored. A very clear case for 'reason' can be made on our behalf, but only if the collective bargaining 'in good faith' mechanism is implemented.

Now about contracts, adversaries and collegiality: Although he does not say so, Professor Bayne reasons as if we are not involved in a contractual relationship with the State System. Obviously, this is not so. But the terms of that contract are often ill defined, and in particular are subject to amendment only by the employer. Consent of both parties is not required with respect to compensation, privileges or duties.

Professor Bayne's desire for collegiality leads him to accept a vague and one-sided contractual arrangement, and in my view he finds himself in much the same position as a man who enters into a partnership with his best friend. He imagines that no contract is necessary; bargaining is to be avoided between them. All too often he finds that there is a contract implicit in the law; he finds himself liable for all the debts of his partner; he finds that the partner does not behave as he ought; new conditions come up and there is disagreement as to what is to be done. But no mechanism exists for dealing with the disagreement. Love does not conquer all. Friendship is best maintained by either spelling out the details of the arrangement beforehand, or spelling out a mechanism for dealing with unforeseen events -- or both. That is why lovers marry, friends sign contracts, and why lawyers collect fees.

Consider what has happened to Oregon State faculty as a result of the vague way our employment is specified. The State Board ignores the salary schedule it has promulgated and presumably shown to prospective faculty; it has adopted a set of new rules regarding Promotion and Tenure which affect the conditions of work of every one of us; it has tinkered with our retirement and health insurance system; it has stood on its right to refuse to give adequate grounds for non-renewal of persons hired without tenure; and, despite the decision of Faculty Senate, the University still maintains a closed-file system of personnel records. Whether any of these measures were good or bad is actually beside the point. There was no requirement that the faculty approve the amendment to their terms of employment before the changes were instituted. In fact, there is a strange sort of bargaining of contracts between faculty and the State System. It occurs at the point of hiring, and then ceases until a threat of departure
can be mounted. If there is a threat to collegiality, it is the uni-
lateral way in which the contract is amended during the terms of its
force.

AAUP thanks Professor Bayne for his praise in our handling of the
changes in description of 'instructional service' instituted by the
Executive Office in this year's Notice of Appointment. He should know
that what made the AAUP's argument was the fact that faculty had agreed
to a definition of instructional service upon hiring and the change was
a violation of that contract, whether it was intended as such or not.
This incident was a precursor of collective bargaining, not an alterna-
tive to it.

Merely writing things down does not destroy collegiality. On the
contrary. The issue is: What is to be written down? If Professor Bayne
thinks that vagueness ought to be written into certain portions of the
contract, or some issues ought to be left to precedent, he ought to ex-
press himself along that line. Perhaps he simply wants to endorse the
Faculty Handbook as a working set of rules. AAUP fought long and hard
to have the Faculty Forum present a prototype contract, and it tried
to build reward for excellence, collegiality and faculty participation
into it. One can have collegiality with a contract, and likewise one can
have managerial methods without it. It all depends on the quality and
dedication of the faculty in their negotiations. This is why AAUP has
decided, as the faculty professional organization, to put its name
forward as a prospective bargaining agent.

A last frank word among colleagues. One suspects that it is the word
'collective' that sticks in Professor Bayne's craw more than 'bargaining.'
If collective means a senseless leveling of salaries and incentives,
regardless of contribution, then the misgivings are well founded. But
it need not be so. At present the standard for compensation of outstand-
ing contribution is as unilateral as the rest of our actual contract.
How many faculty feel that they are not rewarded for teaching or research
that does not lead to funds or political points with special interest groups?
The AAUP position has consistently been for an improvement in the faculty
participation in merit decisions. This view was included in the Faculty
Forum Prototype Contract even though it meant disagreement with OSEA.
No doubt there are bad contracts that undermine collegiality, but there
are good ones as well.

The trick is to get enough money so as to make it possible to re-
ward merit without starving the rest of the staff. That is why President
MacVicar's salary decision was wrong in my view. First of all it uni-
laterally discarded the faculty view which was that in view of the two-digit
inflation and the miniscule amount of funds available, the only humane
thing was to virtually divide it up and blunt the real salary cut due to
inflation. Second, the decision tended skewed the income in favor of the
50 per cent of those judged especially meritorious when inflation was
making a cut in the income of the rest.
Maybe there is an ideal world in which everybody shares collegial love and there are no conflicts of interest, but not on this planet, and certainly not in our times in Oregon. Face it: The net effect of wishing for the ideal is, in practice, the destruction of collegiality, lowering of incentive toward excellence in teaching and disinterested research, and increasing pressures toward reduction in staff through incomes lowered by inflation. I share Professor Bayne's ideals, but in practice collective bargaining is the only way we have to work toward them. It is not a "quick fix" but a long range program for improving the University.

Sincerely yours,

[Signature]

Murray Wolfson
Professor of Economics, President AAUP

April 23, 1974
Options on Campus

PERS results last year revealed to many faculty members that the freedom did not fully exist to choose whether to have their retirement funds invested partly in common stocks or not. Still, freedom means freedom to make choices, whether in seeking academic truth or in determining one's economic destiny.

The PERS options have now turned out not really as wide choices as many faculty members had thought. The "zero gain" year of 1973 now shows that the "fixed fund" included common stocks in sizable amount, despite the widespread impression that stocks appeared only in the "variable" fund.

The "zero" gain on the "fixed fund" apparently resulted from decisions by the Legislature to allow common stocks in the "fixed fund", culminating in the allowance of 35% in stocks by the 1973 Legislature, without permission of the people whose payroll deductions went into a fund called "fixed". Stock losses of 16.4% in 1973 thus offset any reported gain on the "truly fixed" portion of the mislabelled "fixed fund".

The variable fund lost enough on common stocks in 1973 to bring the four-year gain on stocks well below the overall gain in some "variable" funds of commercial companies in the same four-year period 1970 through 1973.

Those willing to take the risk on equities, therefore, got denied the fullest rewards, while those unwilling to take risks on stocks got legislated into the risk anyway.

Official testimony at Salem on 24 April before the Senate PERS probe revealed that even the "truly fixed" portion of the "fixed fund" would have shown "a substantial loss" if the long-term low-interest bonds got rated at present market values instead of their redemption values at maturity.

A mere "paper loss" has become quite real if one retires this year or if the stock market slumps further while interest rates rise.

The suggestion of a new option might appeal to those who want the high interest yields paid on U. S. Treasury borrowings for 13 and 26 weeks, since a "negative gain" could never occur without Governmental collapse. Moreover, some faculty and other employees among the nearly 84,000 PERS members might want to select a commercial fund or a bank trust for retirement funds. Why not permit them to make such a choice?
How many other states which followed Oregon's lead into common stocks for retirement funds have similarly denied their public employees, including faculty members, the reality of choice held out to them? (Oregon led the way, and now some UPAO members survey the national scene to determine how closely the other states followed the Oregon precedent of legislating compulsory risk-taking. Colleagues who know facts can help this survey by advising me directly.)

What choices do academic ears really get on the subjects discussed openly on campus? At the University of Chicago on 20 March the attempt to present Prof. Edward C. Banfield for a scheduled lecture got aborted by rowdies, according to press reports. Prof. Milton Friedman and Vice President D.J.R. Bruckner had to escort the visiting speaker from the hall. President Robert D. Clark at the University of Oregon has an "open platform" policy under which people proscribed elsewhere can speak at the U of O. But Dr. Clark indicates that supporters of such speakers of the Left have protested "that the university should not allow speakers with whom they disagreed politically and 'morally' to present their views in a forum on campus."

Dr. Clark has asked, "By what principle, then, is the university to function?" Whether hazed and driven from the platform or silently never scheduled on a campus where a militant group objects to their presence and speeches, numerous outstanding academic articulators do in fact never speak on many American campuses where their opponents on the same controversial topics do get regularly invited to speak. The speaker fees paid by students and taxpayers thus support slanted speaker schedules. What answer should President Clark's question get?

The following list of questions pose some specific issues on which I hope faculty colleagues will develop consensus. Perhaps other questions relevant to the foregoing discussion should join this list. I welcome answers and comments dealing with these matters and would welcome individual replies from colleagues. These matters also deserve further discussion by contributors to Faculty Forum Papers.

Opinions on Options for "Purse and Ear":

1. Will security and benefits of faculty retirement funds significantly attract and hold desirable faculty members? (YES or NO?)

2. Should faculty members be compelled to have their retirement funds invested in common stocks, as Oregon law provides?

3. Should options provide for investing both faculty deductions and institutional contributions so that faculty members can select a truly guaranteed "no-loss" fund like U.S. Treasury Bills?
4. Whereas Oregon's "variable fund" gained overall 12% during 1970 through 1973, the comparable Metropolitan stock fund gained 27%. Should faculty members be allowed to designate commercial annuity funds and bank trusts for their retirement deductions and employer contributions?

5. Oregon's "fixed fund" included stocks and reportedly earned an overall 20% during 1970 through 1973. U. S. Treasury Bills (13 and 26 week "T-Bills") sold by the Federal Reserve free of commission have recently paid over 8% interest and are assured against loss. Prof. Milton Friedman recommended them in his column in *Newsweek*, 8 Oct. 1973. During 1970 through 1973 a "Rolling T-Bill Fund" would apparently have gained over 20%. Should faculty members be allowed to designate such a fund as an option for their own salary deductions and employer contributions to retirement?

6. As a taxpayer, do you favor putting tax collections into common stocks for up to 35% of retirement funds reserved for state, school, county, and city employees as now provided in Oregon law?

7. Should speaker funds assure appearance on campus of those whose views are not acceptable to many outside the campus under the "open platform" concept?

8. Should campus speaker funds be obliged to assure balance so that controversial topics get fairly treated from opposing viewpoints?

9. In case violence prevents expression of one side of a controversial subject, should campus speaker funds be withheld from that entire subject?

10. Do you favor complete freedom of choice and abolition of mandatory student fees now paying campus speakers?

Kindly address responses to the undersigned at the address below.

Fred W. Decker
Atmospheric Sciences
(National President, UPAO)

29 April 1974.