The Search for New Revenue Models at Kent State University

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I. Background Information: Kent State University/AAUP-KSU Relationship
A. KSU is a large, regional state-supported university with 8 campuses in northeast Ohio.
B. KSU faculty have been unionized since mid-1970's.
C. There are two bargaining units for full-time faculty: tenured and tenure-track faculty (approx 850), and non-tenure track faculty (approx 270).
D. AAUP-KSU, the faculty union, is a chapter of the national AAUP.

II. The Setting for Most Recent Negotiations
A. The previous negotiations (in 2004-05) had been protracted – extended almost 14 months -- and somewhat acrimonious in tone.
B. A new KSU president, hired in 2006, and new provost, hired in 2007, did not have direct experience with collective bargaining.
C. The previous contract had failed to include a “merit” component although it did include a contingency provision that would increase the base salary increment if future University revenues grew above a certain percentage. Unfortunately, this provision did not kick in.

III. Philosophical Evolution in Contractual Salary Provisions
A. Historically, AAUP-KSU has strongly opposed the concept of a “bonus.” Salary increases, whether across-the-board or performance-based, should be continuing amounts added to base salary.
B. However, as universities have turned to incentives to reward sought after behavior, faculty views have softened: “extra’s” are okay as long as basic needs for cost of living increases and rewards for individual performance are also addressed.
C. As part of its 2008 salary increase proposal, the KSU administration specified the creation of a “success pool.”

IV. Components of the Success Bonus Pool
A. Research component: Starting in fall 2009, the University will pay into the pool an amount equal to 10% of the incremental increase over FY08 funding ($32 million) as long as the increase is $2,000,000 (the annual hurdle amount).
B. Retention component: Starting in fall 2009, the University will pay into the pool an amount equal to 40% of increased revenues generated by the incremental increase in the freshman retention rate as long as the increase is 0.5% (the annual hurdle amount).
C. Fund Raising component: Starting in fall 2009, the University will pay into the pool an amount equal to 2% of the incremental increase over FY08 funding ($28.5 million) as long as the increase is $2,800,000 (the annual hurdle amount).
D. Each component of the bonus pool is independent of the other components.
E. Such funds, if (when) awarded, shall be distributed to each continuing member of the bargaining unit on a per capita basis.

V. Positive Aspects of Bonus Pool Provisions
A. Accepting these provisions enabled us to settle the contract in a timely manner without the loss of other sought after provisions.
B. The positive incentives in these provisions will make faculty formal partners in the future “success” of the institution (albeit as defined by the University administration).
C. AAUP-KSU’s monitoring of trends in bonus pool components projects that these provisions will kick in next fall and generate a sizable supplemental award for all eligible faculty.

VI. Potential Negative Aspects of Bonus Pool Provisions
A. The bonus components are tied to things that are easily measured but perhaps not so well thought out.
   I. For example, rather than using freshmen retention rates, maybe we should be looking at overall retention rates or graduation rates as the measure of student success.
   II. Rather than using simple year-to-year comparisons, maybe we should be using rolling averages to measure trends of success.
   III. Not all measures of success are easily quantifiable.
B. Not all faculty can contribute directly to the achievement of the bonus funds, yet, as currently structured, all will potentially benefit. Over time will this create divisions among the faculty? Will this lead to pressure to limit or modify the bonus awards?
   I. For example, not all faculty teach or advise freshmen nor work in academic disciplines where research grant funding is readily available.
   II. Over time, will the more traditional scholarship contributions of faculty members be devalued?
   III. How will administrators with faculty rank be treated?
C. Short term concern: Practical difficulties – how will these bonuses be funded?
D. Long term concern: Will the creation of bonus pools shift resources away from continuing needs for competitive faculty salaries?
E. Possible future impact on academic programs
   I. Will faculty lower standards to improve measures of student success?
   II. In the future, will faculty refuse to pursue activities unless there is a direct and immediate payoff?

VII. Bonus Pools: An interesting Behavioral Experiment
A. Economic truth: People respond to incentives.
B. Another economic principle: Be aware of unintended consequences.
C. Over time, will the marginal benefits outweigh the marginal costs?