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Buyouts and a Career Transition Program as a Response to Retrenchment

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INTRODUCTION

Between 1980 and 1985, Fairleigh Dickinson University (FDU) experienced an enrollment drop of approximately 25 percent, from 20,000 to 15,000 students. As an independent institution with three campuses in northern New Jersey and in close proximity to New York City, the enrollment drop was credited to the decline in the number of 18-year-olds available to attend college, increased competition from nearby state institutions, and FDU's climbing tuition rates.

Composed of eight colleges, FDU experienced the greatest enrollment declines in its College of Education and in the three four-year liberal arts and sciences colleges, all well-staffed with tenured faculty members. Clearly, faculty cutbacks were mandatory if the University were to survive and flourish, but FDU, like so many other post-secondary institutions, had never had to terminate the employment of a large number of faculty members.

The University's collective bargaining agreement did

Copies of buyout plan may be obtained from the author.

contain a security-of-employment article, but it had never been used to reduce staff and contained no provisions for buyouts. Knowing full well the seriousness of issuing terminations to faculty, the administration developed two mechanisms: a buyout program was created and implemented, and a career transition program was formulated and instituted.

IDENTIFYING DISCIPLINES ELIGIBLE FOR BUYOUTS

For several years, FDU has been projecting credit hours per semester and the number of full-time equivalent faculty (FTEFs) needed to teach these credit hours. The projections have been highly credible since the error factor has been +/- one percent. In the fall of 1984, projections were done once again, concurrent with the arrival of a new president. Although he faced serious faculty resistance through collective bargaining, the trustees agreed on the need to cut back on faculty in overstaffed disciplines. The data on FTEFs clearly identified the overstaffed disciplines: biology, fine arts (speech, theatre, art, and music), foreign languages, health/physical education, sociology/anthropology, social work, and education. A general notice was sent to faculty in these disciplines, noting the overstaffing and inviting them to consider a buyout. Every faculty in the affected disciplines who applied for a buyout received one. Faculty from other disciplines, such as accounting, also applied and were bought out if they did not need to be replaced.

BUYOUT PLAN AND THE BUYOUTS

Between June and September, 1984, several faculty in overstaffed disciplines sought buyouts. Individual faculty had occasionally requested buyouts before that, and the administration had responded on an *ad hoc* basis. Even without any detailed plan, the administration had tailored appropriate terms and conditions for five of these faculty.

At the same time, the collective bargaining agreement

with faculty members was being negotiated, but a settlement was not reached until December 17, 1984. It contained a detailed buyout plan and a revised security-of-employment article that ensured buyout processes and procedures prior to issuing terminations.

Features of the buyout agreement are: 1) availability to tenure faculty in overstaffed disciplines; 2) completely voluntary; 3) tenure rights relinquished; 4) available January 25 or August 15 each year; 5) entitlement is to twice the participant's current base, distributed at his or her option over a period not to exceed five years; 6) tuition grants available to participant and family until programs completed; 7) entitled to health insurance for the two years following resignation; and 8) part-time teaching at FDU available.

At the time FDU introduced its comprehensive buyout plan in 1984, there were 507 tenured faculty. When the first round of buyouts was completed on March 1, 1985, there were 430 tenured faculty. Of the 77 cutbacks, 73 came from buyouts, the others from retirements or resignations. Since the 73 does not include the five buyouts in the summer of 1984, the total number of buyouts between June, 1984, and March, 1985, then, was 78 faculty.

The ranks and ages of the faculty who were bought out are identified in Table 1.

TABLE 1
Rank and Age Distribution of Faculty Buyouts

Rank	Age							Total by rank
	Under 40	40-45	46-50	51-55	56-60	61-65	66-70	
Professor	0 -	2.6% (2)	7.7% (6)	2.6% (2)	7.7% (6)	26.9% (21)	10.3% (8)	57.7% (45)
Associate professor	1.3% (1)	3.8% (3)	5.1% (4)	5.1% (4)	3.8% (3)	6.4% (5)	2.6% (2)	28.2% (22)
Assistant professor	1.3% (1)	3.8% (3)	3.8% (3)	3.8% (3)	0 -	1.3% (1)	0 -	14.1% (11)
Total by age	2.6% (2)	10.3% (8)	16.7% (13)	11.5% (9)	11.5% (9)	34.6% (27)	12.8% (10)	100% (78)

Clearly, the buyout plan was the most attractive to full professors over 60 years of age. Including fringe benefits, payments to individual faculty members receiving a two-year buyout ranged from a low of \$43,000.00 to a high of \$123,000.00. The overall cost to the University was over \$5.4 million dollars. Though this is a great deal of money, the plan forestalls terminations and the expensive litigations that normally result.

CAREER TRANSITION PROGRAM

The administration recognized that some faculty members who chose a buyout might select a new career direction, while others might see it as a transition to retirement. In either case, faculty might need counseling and/or outplacement services. Because the University already had a Professional Development Program, that program assumed responsibility for those additional services.

For the previous two years, the Professional Development Program (PDP), headed by a tenured professor, had been providing retraining grants to faculty members, assisting people applying for retraining sabbaticals, and facilitating career transitions. To add outplacement services to the above, the Director worked with the administration to screen and select a nationally known and successful outplacement firm to provide assistance.

Recognizing the unique qualities of members of the higher education community, the University arranged for the outplacement firm to provide training for the PDP staff, who are faculty peers, and to offer workshops for faculty. These workshops consist of eight, half day sessions as follows: 1) orientation to the program; 2) self-assessment (two sessions); 3) determining career goals and objectives; 4) preparing a resume; 5) negotiating a job (two sessions); and 6) individual job counseling.

FDU is using an outplacement organization with a national reputation. Its fee is \$1,000 per day. Since the eight sessions represent four full days, our cost is \$4,000/group. Two groups participated in the Career Transition Program during the spring of 1985. In addition,

a group of professional staff made up a third group.

The PDP staff also conducts initial interviews of participants and provides individual counseling throughout the outplacement process. The staff offers a variety of workshops for retirees as well, including planning for a secure retirement, attitude adjustment, developing support networks, maintaining professional identity, and assessing alternative career opportunities.

Of the most recent 73 buyouts, 61 have been interviewed by the Professional Development staff; the remaining faculty members did not respond to memos or telephone messages. Thirty-one faculty members wished to participate in outplacement services, while another 10 were interested in developing consulting skills and setting up their own businesses.

Since the spring was the first semester of this program, it is too early to know how many faculty members will find a new career. Of course, the PDP staff intends to follow up on each person carefully in order that the program can be evaluated. Feedback so far indicates that the program represents a significant support system for faculty members making difficult transitions.

CONCLUSION

Because of national demographics, other institutions may need to develop and implement similar buyout plans. If such is the case, it is important to recognize that a buyout plan alone is not enough. A support group, such as our Career Transition Program, is also needed. From the University's experience, the exclusive use of external outplacement services that typically serve the corporate world is not the best choice for two reasons: it is costly, and academics find it difficult to confide in the personnel usually found in that type of high-powered organization and to trust them with their career futures. An alternative is to set up your own program, as FDU has done.

Declining enrollment and retrenchment are very difficult problems to confront. FDU's experience, though painful, has been made more humane through the buyout and outplacement programs.