Supplementary Report of the Re-engineering Advisory Committee
v4: 11/21/09

This second report follows the main report of the Re-engineering Advisory Committee (RAC), dated October 31, 2009. This report focuses on some areas of change from Re-engineering I and II that we identified as particularly challenging on both the practical and the symbolic levels. The proposed menu of changes is in the area of benefits, and comprises:

- medical benefits for NYU retirees
- NYU-owned housing and related benefits
- tuition remission for coursework taken at NYU
- other HR benefit and policy changes

From the outset, we understood that a sound financial basis is essential to the University’s future. All methods of achieving this goal need to be considered—including changes in benefits.

Members of the committee expressed various beliefs about the advisability or prioritization of these changes to “hot button” items. We came to the conclusion that the depth of feeling about these issues in the community is strong enough, the trade-offs complex enough, and the limits of our expertise apparent enough, that the best role we could play was to offer some principles that we hope will facilitate productive discussion by everyone at NYU.

The principles were developed by applying the lists laid out in our first report—namely, the list in Section C (“Checklist Against Which to Evaluate Re-engineering Proposals”) and the list in Section D (“List of Areas for Additional Study, Analysis, and Action”) there. Those lists apply in their entirety to the area of changes in benefits. But, here we restrict ourselves to adding only where we have specific comments in this very important area.

C1. Protecting Academic and Community Goals
First and foremost, changes to benefits must be considered in light of the values of our community and our mission of public service. A shared sense of responsibility is one of the defining values of the common-enterprise University. Even when times are most difficult—indeed, at just those times—the University will hold together by acting in ways that reflect this value. We emphasized in our first report the need to recognize and share burdens in cost-cutting. In our discussions of the area of benefits, we took the view that more highly compensated members of the community should share disproportionately in the burden of changes. We also noted that, under the status quo, some members of the NYU community receive large and especially valuable packages of benefits, while others do not. We consider it appropriate to ask, if a reduction in a particular benefit is proposed, whether or not those who would be affected receive a large number of other benefits.

Our first report stressed that it is crucial that re-engineering recommendations both support our aspirations and do not risk undermining our academic mission. In this regard, we recognize that benefits are a very important component of NYU’s “arsenal” in the competitive market for talent. (This is especially true in competing for faculty in what is now a global academic market.) The University needs to be able to act flexibly in making competitive offers to hire and retain prospective faculty members and others. At the same time, the University needs to be very cognizant of the sensitivity that
other constituencies (including parents and students) have towards the rising costs of university education. We must compare ourselves carefully in this regard with peer academic institutions and beyond.

Our first report asked for a close look at whether a re-engineering recommendation would run counter to reasonable expectations about the University’s future actions. Provision of benefits is an area where this issue looms particularly large. While benefits in place at time of hiring or through years of employment may not be contractual obligations, they form part of people’s expectations. They come to have not only significant financial consequence to members of the community, but also deep symbolic and emotional value. We suggest that one way to try to reduce conflicts with existing expectations is to start with changes that affect newer members of the community over long-standing members, and with changes that pertain to more recently introduced benefits over long-established ones. (But, again, such a rule will need to be applied flexibly.)

C2. Communicating Recommendations
The area of benefits is extremely complicated. Indeed, we recognized that only certain members of our committee were cognizant of all the details and nuances in this area, and that the rest of us were qualified only to comment at a broad level. Moreover, the proposals concerning changes in benefits are some of the most across-the-board changes proposed under re-engineering at NYU. It is therefore especially important to ask, as did in our first report, whether communications reach all relevant constituencies. It is natural for people to be distrustful if they do not fully understand the consequences of a proposed change. A full understanding by the entire community of the content of the proposals is essential.

Explanations and reasoned discussion cannot eliminate the painful reality of any reductions in benefits. But, they are essential to ensure that changes are made in a way that is both as intelligent as possible and as clear as possible.

C3. Balancing University vs. Local Decision-Making
We asked in our first report that changes made as part of re-engineering be assessed for how they respect the benefits of control at the local level vs. facilitate appropriate control at the University level. The area of housing—which includes mortgage programs—appears to be one where this balance is especially important. Housing is a key component of hiring and retention of talent at NYU. How rental units and mortgages are managed and allocated has a very material impact on the ability of decision makers—at the University level and at the local level—to be nimble in competing for talent.

There is no reason to suppose that the current housing system is optimal. However, it is also true that changes in this area have far more than just budgetary implications. We strongly recommend that, as and when changes are made, a lot of attention be given to the question of the right balance of control of housing resources.

D3. Create a Review Process to Monitor and Evaluate the Effects of Re-engineering
Follow-up reporting and evaluation will be particularly important in the areas of changes in benefits. Various assumptions about employee (and dependent) behavior have been made in estimating resultant savings. Even if another round of changes in benefits is infeasible for the moment, the University leadership team needs to remain alert to the likely possibility that different people will adjust in
different—and unanticipated—ways to the changes. Furthermore, input from all parties will be needed in trying to quantify what savings are achieved. (Example: If reductions in tuition remission end up reducing costs within the University fringe pool, there is still the need to consider the possible impact on those parts of NYU that currently benefit from tuition-remission income.)

D4. Encourage More Entrepreneurship in Support of NYU’s Goals
It is important that benefits be seen not just as a form of remuneration at NYU, but also as an area of investment by the University in its people. This is especially true of benefits which enable people to take classes and otherwise engage in the intellectual life of NYU. When members of the community build their intellectual capital, this fosters not only their own growth but also the growth of the University. We strongly encourage that everyone thinks “out of the box” about new ways in which this area of win-win can be strengthened.

The University should indeed share the gains from investments in human capital. There is a place for policies that help the University in this regard. (Possible example: Require a minimum length of employment at NYU before someone qualifies to take classes.)

An entrepreneurial problem-solving orientation is needed across all areas of benefits. For example, arguments to protect a particular area of benefits need to be coupled with ideas on how to find savings elsewhere. This may involve looking to areas beyond other benefits.