A Solution for the Tenure Problem

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Voluntary exchange is perhaps the central element in the economist's thinking. In that spirit, a scheme is offered here for easing the universities' problem of tenure held by faculty members whose productivity is relatively low, by having such professors "voluntarily" receive less money than otherwise—that is, by self-selection.

I will not suggest complete abolition of tenure because it is not a likely alternative,[1] as well as because complete abolition may result in increased incentive for non-tenured incumbents to oppose the hiring of talented newcomers (see Carmichael 1988).

Before considering the scheme, however, let us note that even with the tenure system in its present form there exists an immediate partial remedy to the "tenure problem": universities can simply freeze the salary of non-productive tenured professors.[2] Such a policy would not immediately damage hiring decisions through the mechanism that Carmichael describes, because it would not immediately affect the number of slots to be filled. And even if there would be some later effect by way of non-productive professors being caused to leave, the mechanism that Carmichael discusses would operate more weakly than if tenure were taken away. If it is perceived by non-productive professors that this policy merely brings individuals' salaries more into line with what the open market would offer, there would be no reason for them to see themselves as benefiting from hiring only unpromising newcomers. But this remedy seems unlikely to be adopted.

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[1]British public universities abolished tenure in 1988 (*Science*, vol. 241, 5 August 1988, p. 652).

[2]Apparently a university cannot legally or ethically *reduce* the salary of a tenured person because it is tantamount to taking away the tenure.

The Plan

Under the suggested plan, each faculty member tenured at the time of initiation of the plan would be offered two options. *Option 1:* retain tenure, give up the franchise to vote on new hires, and expect (depending on university policy) either zero salary increases, an inflation adjustment, or some modest fixed percentage increase each year. *Option 2:* forswear tenure and accept a rolling, fixed-term contract (RFC) for perhaps 8, 10, or 12 years.

Other details could include the following: (1) the same choice would be offered to a faculty member when newly offered tenure; (2) at any future time, a tenured faculty member could join the RFC track at a negotiated salary; and (3) renegotiation of a tenured professor's salary could take place upon receipt of an outside offer or a threat to quit for other reasons, just as at present.

Each person's situation would be chosen voluntarily; no faculty member would be required to give up tenure. The scheme does lead to lower salaries for tenured persons than under the present system, and those persons therefore would not choose either of the options in comparison to their *present* situations. But such an imposed change in market conditions is not at all inconsistent with the notion of voluntary choice in this context, or with existing tenure contracts. And the change is no more inequitable than any other market alteration that moves toward a better match of price paid and market price.

The scheme has two beneficial results from the point of view of the university. First, the salary bill for presently tenured nonproductive faculty members would be reduced. Second, hiring decisions would be made by those faculty members who have less to fear on average from new hires than would the average of all presently tenured faculty in the absence of tenure, because only the more productive professors would opt for the RFC contract.

Additionally, one would expect those who choose RFC to have more to gain from the presence of talented newcomers than those who do not choose RFC. Hence this scheme would lead to higher-caliber hiring than a non-tenure system that would include all presently tenured faculty members.

A Few Details

A university could limit the voting franchise on hiring decisions either to RFCers or to *all* non-tenured professors. The advantage of the former is that the selectors would be older than pre-tenure faculty members, and therefore relatively safer from competition with the new hires.

A person who chooses tenure could always opt for switching to an RFC. But the person would then have to negotiate for salary in the new status. A person also would be able to negotiate for a switch to tenure, but of course the person would not be guaranteed acceptance or that his or her salary would not be reduced at that time.

It is the nature of the human animal that all faculty members will believe that they are valuable enough to be in the class of RFCers. But some (the author, for one) would opt for tenure out of fear of a future vagary of "unsound assessment" and "bad judgment" on the part of their colleagues leading to non-renewal of their contracts.

Upon receipt of an outside offer, a tenured person could seek to have his or her salary renegotiated, just as at present.

Discussion

One cannot be sure without some kind of empirical test that the scheme proposed here would lead to higher-quality hires than does the existing tenure system.[3] But the scheme clearly promises a different structure of costs and benefits for the faculty who would vote under this scheme than under the existing tenure scheme, mainly because the composition of the voting faculty would change, but also (in the other direction) because the perceived costs to the voting faculty of higher-quality hires would be increased by the voters no longer having tenure (the Carmichael effect).

Lest the present scheme seem "indecent" or an impossibly radical break with present practice, one might notice that two-track schemes—one track for the bulk of faculty, and the other track for "teachers" only—have been adopted at such respected institutions as Hebrew University.

Like many other schemes whose economic logic is sound, this one is not likely to be adopted quickly if at all.[4] The reason for non-adoption in the present case will be some combination of custom, governance being in the hands of professors, and lack of courage on

[3]A test using hypothetical questions has obvious but not irremediable difficulties. Projective questions could be effective.

[4]The volunteer scheme for handling airline oversales is an example. Not only did the scheme make theoretical sense, but there was empirical evidence for it prior to adoption (Simon and Visvabharathy 1977). But 12 years were required even for an inexpensive trial, and that only came about because of the unlikely happenstance that an economist became the bureaucratic decisionmaker as head of the CAB. The title of my 1968 article proposing that scheme is relevant here. I explained that the scheme was only *almost* practical because of the inevitable difficulty in getting it adopted.

the part of administrators. If funds were allocated to departments only in total, and departments then had to allocate strictly within that total, there would be greater pressure to reduce some salaries, and hence greater pressure to adopt this scheme.

Two other schemes that might use self-selection and the auction mechanism to achieve improved market matches in an academic setting are as follows. First, in settings where faculty members teach two different courses, the department can allocate courses to be taught by faculty members by ranking the courses by expected enrollment, and then allow professors to choose a second course in descending order of enrollment of the first course taught. This scheme would give professors an incentive to teach larger courses. Second, offer full professors a course-load reduction of 50 percent in return for giving up 25 percent of their salary. This squares with the idea that half of one's salary pays for research and half for teaching. The give-up would then enable the department to hire a young professor (at about half the full professor's salary level) and hence the same number of courses could be taught as before with no increase in total salary paid and with an increase in total research faculty.[5]

References

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[5]This scheme is spelled out in detail in Simon (1991).