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Salary Policy for Government
Contracts and Grants at Universities

Extra Compensation for Regular Faculty

In the past, two forms of extra compensation have grown up. Because the academic year normally requires the presence of a faculty member at the Universities only for nine months out of the twelve, it has been traditional at almost all universities to permit the faculty member to earn extra money during the summer either by teaching at a summer school or by working in industry or elsewhere. Thus it was argued that when a faculty member stayed at his university during the summer to work on a research contract or grant, he should be entitled to extra compensation from his university, which should be reimbursable to the university out of the contract or grant funds. Each university ordinarily put a ceiling on the amount of extra compensation which could be earned in this way, based on a percentage of the guaranteed annual salary of the faculty member for the academic year. Practice has varied widely in this regard, the fraction of the academic year salary which was claimed varying from 1/5 to 1/3. The most common practice appears to be 2/9, but 1/3 or 3/9 has been permitted by most Federal agencies, and there appears to be a trend for many universities to adopt this permissible limit as standard practice, often irrespective of whether the faculty member actually works during the three summer months or works for only two months and puts in the other month of work on the contract at some other time during the year. Since the actual academic year is closer to eight months than nine months, it is possible for the faculty member to devote three full months of work to the contract or grant during the entire year and still take one month of vacation during the summer. On the other hand, some government agencies insist that the three summer months actually be worked if 3/9 extra compensation is to be reimbursed by the government, regardless of time put in on the contract during the academic year for which no reimbursement is claimed.

The second type of extra compensation, which is much less common than extra compensation for summer work, is additional compensation for the faculty member who devotes all his effort during the academic year to the work of the contract or grant and foregoes the privilege of outside consulting activities ordinarily available to a faculty member. Additional earnings of from 20% to 40% of the guaranteed annual salary have been permitted on this basis. Other forms of extra compensation during the academic year have been common. For example, a faculty member might be permitted

to obtain a consulting fee for work on a project supervised by a faculty member in another department. A more common practice has been to permit the earning of consulting fees from institutions operated by the university but separated from the academic departments, such as engineering experiment stations or government financed off-campus research centers. Many government agencies have refused reimbursement to universities for extra compensation of the above type, and the ACE has recommended against it.

It should be pointed out that when a faculty member receives 3/9 extra compensation and puts in only two months work in the summer, he is in effect receiving extra compensation for work on the government contract or grant during the nine month nominal academic year. Thus it would appear to be inconsistent to prohibit the practices described in the preceding paragraph while permitting 3/9 extra compensation for two months of work in the summer, unless the academic year is to be defined as eight months rather than nine months. On the other hand, a faculty member on 12 month appointment is ordinarily entitled to one month vacation with pay. With 3/9 extra compensation, the government is buying one quarter of his total effort and therefore should pay for one week of his vacation. Hence even in the 3/9 case, the man need put in only 2-3/4 months rather than 3 months of work during the summer.

Recently a few universities have attempted to redefine the academic year as eight months and to claim reimbursement for 50% extra compensation to faculty members who put in a full year's work on a government grant or contract. This is likely to be an increasingly important issue, since a number of first rank universities are considering going on the "trimester" system. In this system the ordinary guaranteed academic salary would be for two trimesters, or 8 months, and the faculty member could then work the other 4 months on a contract and 50% extra compensation could be claimed for him. As a matter of fact, on the basis of one month vacation for the full year, and the government sharing the cost of 1/3 of the vacation, the faculty member would only have to work 3-2/3 months rather than 4 in order to claim 50% extra compensation.

There are several general principles which the Basic Research Panel feels should be applied to the question of extra compensation. Clearly it is to the interest of both the Government and the Universities that faculty members stay at the university during the summer months and work on research and continue the direction of graduate students. The summer is often the most productive period during the year for a faculty member, since he is less interrupted by other university responsibilities and his graduate students are not diverted by classes, examinations,

and other activities. The resulting continuity of effort probably means that more is accomplished in a given time in relation to the effort expended than during the academic year. There is no more immediate way of insuring the output of PhD's than making it possible for the faculty to put in a full year on their university-based research activities. Thus some extra compensation is clearly desirable. On the other hand, it does not appear in the interest of either the universities or the government that the faculty member be compensated at a higher rate for his effort on research than for his effort on teaching. Thus any extra compensation which the faculty member receives from his university for working on research during the summer should clearly and demonstrably reflect extra effort which he would not have been able to put in anyway during the normal academic year. The salary policies permitted by the Federal Government should encourage equivalent compensation and prestige for research and teaching, and should discourage a sharp separation between research and graduate teaching activities. This is in accord with the principles of the Seaborg Panel report.

It is not in the interests of the Government or the Universities for the Government to subsidize salary competition between universities for key faculty members. Such a policy inevitably insures that the least responsible salary practices of the least responsible universities will gradually spread to the whole university system. The pressure of competition will eventually force the more responsible Universities to adopt salary practices which they consider contrary to sound administration and fair treatment of their faculty, especially of non-science vs. science faculty. Thus it is entirely proper that the Federal agencies agree on some upper limit on the percentage of the guaranteed annual salary of a faculty member which a university can claim as reimbursement for extra compensation. Furthermore, this upper limit should reflect the maximum extra effort which a faculty member could reasonably be expected to place on his research compensated at the same rate as his regular academic work.

In a time when research budgets are increasingly tight, raising the rate of extra compensation does not buy more research, but merely inflates the cost of research and decreases the total amount of research and the number of graduate students who can be supported within a given budget. Thus, at the present time, there is a strong incentive to "hold the line," consistent with reasonable fairness, on the permissible extra compensation.

Most of the Panel believes that in the existing situation a limit of 3/9 would represent the best policy. To attempt to revert to 2/9 at this late date when 3/9 has become so common would cause too much disruption

and would be extremely difficult to administer. On the other hand, more than 3/9 is so rare that cutting back to 3/9 in the exceptional cases where more has been allowed would not pose serious administrative problems. Even a clear statement of the 3/9 limitation might, however, encourage the many universities which still permit only 2/9 to alter their policies. Some of the Panel favored limiting the 3/9 payment to cases in which the faculty member could be demonstrated to have spent 3 out of the 4 summer months, June, July, August, or September, essentially full time on his research. Other members of the Panel felt that 3/9 should be permitted even when the faculty member had worked only two months on his research. The more restrictive policy would have the advantages of discouraging universities from changing from the 2/9 to the 3/9 rule, since payment of 3/9 would undoubtedly entail much stricter time accounting of faculty members who claimed this compensation. This policy would probably mean in practice that 3/9 would tend to be the exception rather than the rule.

As regards extra compensation for the academic year, the Panel definitely favored permitting none. While it is recognized that there is some justice in the contention that a faculty member who is willing to forego outside consulting is entitled to some extra compensation for the spare time he spends on his research, such a policy would be impossible to police properly. Furthermore, it could be argued that a modest amount of consulting actually increases the research capability of a faculty member and serves to keep him in contact with what is going on in his field outside his own project. Thus it is not in the long range interest of his research project to encourage him to forego all outside activities. We recognize that this strong position is somewhat arbitrary in view of the fact that service on government advisory groups is still permitted. However, this is easier to police.

There is a serious question whether faculty members or research staff whose salary is 100% reimbursed by the Federal Government should be permitted to receive compensation for government advisory work. This question probably deserves special study. Certainly in cases where the university salary is paid entirely from the funds of a single agency, consulting for that agency for pay becomes a questionable practice both from the standpoint of sound administration and from the standpoint of conflict-of-interest. On the other hand, consulting for a different agency on a subject not specifically related to the individual's research project might be considered permissible. The Panel recommends that an effort be made to ascertain present practice in this and similar regards, and that definite guidelines be developed.

Payment of Academic Year Salaries

The Seaborg Panel report recommends, and present government policy permits, reimbursement of the University for that portion of a faculty member's salary which represents the per cent of his total effort spent on research in connection with a contract or grant during the academic year. Due to the shortage of research funds, this policy has never been fully implemented in practice, and its general adoption has also been inhibited by the hesitation of many universities to become dependent on the Federal Government for an appreciable fraction of their long term salary commitments. It appears that the policy has been much more readily accepted by both Government and Universities with respect to annual and term appointments than with respect to tenure faculty. Payment of tenure faculty seems to be much more generally used in medical and other health-professional schools, and to some extent in engineering schools than in other parts of the university. The policy has been accepted without too much thought as to the basic philosophy behind it or as to its long range effects on institutions of higher education.

Some of the arguments against the policy are the following:

1. The most obvious argument is the financial risk to the University, especially where tenure faculty is involved. Although Federal research funds for universities have risen steadily since 1948 without a break, the fact remains that they are still based on annual appropriations and have been subject to the influence of the general climate of opinion in Congress and in the public mind. The tide has been running strongly in favor of basic research for many years, but it is possible the pendulum may soon swing in the other direction. Most universities have used the funds released through payment of faculty research time to expand their faculties and to make other long range commitments rather than to build up their reserves. This argument is probably not too serious, since a drastic cut in Federal research appropriations would create other economic effects whose secondary impact on the Universities would probably be far greater than the direct effect of the research funds themselves.

2. To the extent which the Federal Government in effect assumes responsibility for what is basically a financial obligation of the University, the University may become subject to Federal control and interference. The permanent faculty is the group which is responsible for its educational policy. This group enjoys tenure exactly so that its intellectual freedom may be guaranteed; if it is dependent on Federal funds, its intellectual freedom may be at least theoretically limited. On the whole, this argument appears rather academic, except possibly for private universities such as Harvard. Very few institutions could support their permanent faculty

purely out of endowment income. Nevertheless, it is true that an institution may be more liable to give in to government pressures if it is dependent on government for meeting its long range commitments.

3. The use of the funds released by Federal payment of permanent salaries raises broad issues of Federal aid to education. To the extent that the funds released are not used for science but are used to support other parts of the university, it might be claimed that the payment of faculty salaries out of research grants is a device to circumvent the intent of Congress that Federal funds should not be used for generalized assistance to higher education. It is our impression that funds released have usually been employed to build up the tenure faculty in the area of science for which the grant funds were awarded. It would be desirable to obtain more information on this. In some universities payment of faculty salaries is based on released teaching time, and this provides a guarantee that most of the funds released will be used in the same general area, since new faculty have to be hired to teach the unmanned courses. Nevertheless, it is true, broadly speaking, that the Government has no control over the use of the released funds, so that the argument that the salary reimbursement is a disguised grant still has some validity, regardless of how the University may choose to use the released funds in practice.

4. The steady growth in the practice of paying faculty salaries, especially tenure salaries, out of grants may have absorbed much of the increase in research funds in the last few years, and may thus in effect have increased the cost of research to the government without actually procuring more research. If the present trend continues and budgets level off, there will be a tendency to support a smaller and smaller fraction of proposals, and this may hit hardest at the weaker institutions. We need to have more quantitative information on this subject. Analysis of NSF proposals indicates that the share of the budget represented by salaries of principal investigators has been increasing in the last few years, but only rather slowly, and we do not know how this is divided between increased payment of summer salaries and payment of academic year salaries.

5. Federal payment of faculty salaries tends to result in "stockpiling" of the best scientists at the leading institutions, while engaging them less and less in the educational process. It aggravates the already difficult problem encountered by the second string institutions in building up their scientific faculties. Several private universities have doubled the number of permanent posts in their science departments, largely by the judicious use of Federal funds. However, there is little or no quantitative information on this subject. It seems probable that the growth

of non-academic research institutes has been a much larger factor in the difficulties of second string institutions than has the recruitment of faculty at leading institutions. Indeed, the administrative policies of many academic institutions are such that it is questionable whether the country would be better off if men now employed in research centers were to move to such universities. There is a fundamental issue here concerned with the degree to which the increase in output of PhD's is going to be effected through existing centers of excellence and the degree to which new centers will be built up. On the whole, it was the feeling of the Panel that the role of national research centers was a more relevant and significant issue than the payment of faculty salaries out of government contracts in universities.

6. Payment of faculty salaries by the government has tended to reduce the time which senior men devote to undergraduate teaching and to decrease student-faculty contact generally. It is doubtful whether this argument can really be supported. Most members of the Panel seemed to feel that undergraduate science teaching had significantly improved, especially during the last few years. Indeed, to the extent that government funds have helped science departments to expand their faculties, they have indirectly benefited the undergraduate as much as the graduate student. There are certainly problems in this area, but the Panel feels there is no evidence that they have been aggravated by Government funds, particularly those funds used to pay faculty salaries.

7. When the government reimburses the university for part of the salary of a tenure professor, especially one listed as principal investigator on a grant, it puts the professor in the position of being expected to raise part of his own salary. If his grant is cut, he is in conflict with his own administration as to whether the cut should be taken on the contribution to his salary or whether it should be taken on the direct cost of his research. The investigator could often justifiably argue that the University is using the money raised through the reputation, effort, and prestige of the investigator to cover an obligation which is basically the University's. The inclusion of faculty salaries in a proposal budget often drags irrelevant considerations into panel evaluation of research proposals, and injects advisory panels, in effect, into the internal administration of universities. The practice generates an inherent conflict-of-interest between faculty and institution which is undesirable and corrupting in the long run. This conflict-of-interest is especially severe when the salary payment is made on a grant-by-grant basis as at present.

Some of the arguments in favor of the policy are the following:

1. It enables the institution to strengthen its science faculty much more rapidly than would be possible within its own resources. This is

of great importance not only because of the increasing number of graduate students, but also because of the continual appearance of new fields of knowledge which need representation on university faculties. Fields which 20 or 30 years ago might be considered as adequately covered by a one-man department now require several faculty members for a "critical size" effort, both in teaching and research. Examples are oceanography, atmospheric sciences, molecular biology, and many others. In some universities the alternative to expanding permanent faculty appears to be to create an echelon of more or less permanent research staff, who do not participate overtly in teaching, and who are often regarded as second class citizens by their faculty colleagues.

2. It enables the University to move much more rapidly into new fields, especially interdisciplinary areas lying between conventional departments and even schools. This should be true in principle, but there is no factual information to suggest whether it has been true in practice.

3. It provides the University with essentially unrestricted funds which can be used to compensate for imbalances produced by project support. On the other hand, as pointed out under point 3 in the preceding paragraphs, this is also in a sense a device to circumvent the purpose for which the funds were given by the Government. We are almost completely lacking in factual information with respect to this.

4. In expanding its research efforts, the Government is always presented with a choice between supporting research in special centers and institutes disconnected from the educational process, or supporting it in intimate association with the educational process within universities. Where the research is of a character appropriate for graduate and post doctoral training, it is preferable that it be carried on within the universities. Given the limitations of private and state resources, the only way this can be done is by enabling the universities to expand their faculties on government funds. Research centers tend to go stale and lose their impetus and sense of mission as their staff ages, whereas faculties tend to be constantly stimulated and rejuvenated by the continuous turnover of bright graduate students and research fellows.

Our Panel was in general agreement that some payment of faculty salaries for research time during the academic year was appropriate. On the other hand, there was also a strong feeling that this should be on a cost sharing basis; that is, the University and the Federal Government should share the cost for the research time of faculty members. One hundred per cent reimbursement of the research time of tenure faculty should be offered only under exceptional circumstances. There was a

strong feeling in the Panel that cost sharing between a University and an agency should be negotiated on an overall basis rather than on a grant-by-grant basis, if suitable administrative arrangements could be worked out. In other words, salary of permanent faculty should be handled in a manner somewhat analagous to the present handling of indirect costs under BOB circular A21. Faculty salaries is a much more appropriate area for cost sharing than are indirect costs. It is recognized that there are many serious practical administrative problems in working out such an arrangement, but we believe it should be studied and attempted if found feasible. There are, of course, certain dangers. For one thing, the money brought to the university by the most energetic and productive professors may be channeled into the support of the less productive people.

The Panel recognizes that arrangements for block payment of salaries cannot be worked out overnight. Until it is worked out, we believe there is no alternative to the present system of grant-by-grant negotiation. However, we believe that even under the present arrangements, agencies should insist on some degree of cost sharing on academic year salaries for research time of permanent people. As a tentative suggestion, we would propose that not more than 50% of the research time of a tenure professor be permitted to be charged against a government grant or contract. For junior people on a term appointment of three years or more, we would suggest that not more than 50% of the total salary be reimbursable by the government. For individuals on annual appointment we would propose no limitations; the government would be permitted to reimburse the University for the full percentage of effort devoted to the contract or grant. From our general knowledge of the internal situation in many universities, we would guess that the above suggested limitations would impose no serious hardships, although a few exceptions might have to be made for special research centers intimately associated with a department, such as the Radiation Laboratory at Berkeley, the Stanford accelerator, or the Cambridge Electron accelerator. Such exceptions are sufficiently rare and unique so that they could be easily negotiated on an individual basis.

A somewhat different policy might be followed in the case of so-called research training grants. In this case the Government may reimburse the University for time spent in formal teaching related to the subject of the grant as well as for research time. In such cases we believe it to be a sound principle that not more than 50% of the total time of a tenure professor should be reimbursed by the Government, with essentially no restriction on term or annual appointees. We recognize, however, that such a limitation may be impractical in many cases because of commitments already made; however, we believe the 50% limitation should be applied to any future grants. Such a restriction should not apply, of

course, to career awards of the type recently instituted by NIH. There should be no restriction on the use of institutional base grants or NIH institutional grants for faculty salaries, and these should be considered as university unrestricted funds rather than government funds for purposes of cost sharing. On the other hand, we feel it advisable that the University itself exercise some restraint in the use of such funds for tenure salaries, and should carefully calculate the financial risks involved.

Research and Teaching

It is the present practice on research grants that reimbursement during the academic year can be claimed only for research effort. The Panel believes this to be a sound principle, if only to prevent misunderstandings with the Congress, which has appropriated the funds specifically for research. However, research activity itself is very diversified and includes not only time spent in the laboratory but also time spent discussing results with colleagues and disseminating research results to the scientific public. The Federal Council has already given explicit recognition to the fact that dissemination of research results is an inherent part of research through authorizing the payment of publication "page charges" out of research grants. Thus in estimating the percentage of effort devoted to research it should be recognized as legitimate to include time spent in participation in research seminars, occasional lectures on research results, including both colloquia and guest lectures in formal courses, reading in the library, informal discussions with colleagues, supervision of thesis research provided it is supported by the grant or contract, supervision of post doctoral research related to the grant, attendance at scientific meetings and conferences which is considered to contribute to the research, visits and conferences at other laboratories, and work preparing articles and monographs reporting research results. In estimating research time, it would not be proper to include time spent in lecturing for or preparing lectures for formal courses listed in the catalogue and offered for degree credit. It would also be improper to include time spent on university committees or other administrative work related to university business or time spent in preparing research proposals. An exception to this might be time spent on a thesis committee concerned with a dissertation resulting from work on the given grant or contract, which should count with graduate student supervision.

A question might be raised as to whether a highly specialized advanced course offered for credit might not legitimately be considered as research time, especially if it is attended mainly by students who are expected to go on to do research related to the grant or contract. A case

could be made for this, and perhaps some of the time devoted to lecture preparation could be considered as research time, but for administrative "cleanness" we consider it preferable to count such courses as teaching time.

In the case of research training grants, it is proper to consider teaching time as reimbursable effort provided the teaching involves mainly advanced material related to the subject area of the grant and that the course is regarded as necessary preparation for research in the area of the grant. Undergraduate courses would almost never be included in this category, especially elementary courses. There might be exceptions in cases where the elementary material is regarded as necessary for research in the area but is not part of the usual preparation of students entering this field of research, e. g., advanced calculus or electronics for medical research people.

With respect to academic people, a question arises as to what constitutes "effort" in computing percentage of effort. It is tempting to argue that the University pays a man for a 40 hour week, and that effort should be computed on the basis of the percentage of 40 hours devoted to research each week. Such a criterion might be used to specify the minimum amount of time; e. g., 50% effort would be at least 20 working hours a week. However, the time of a professional man cannot be so precisely quantified, and in general the percentage of effort should be based on the total time and energy devoted to professional work. A certain amount of looseness is inevitable here, which can be resolved only by good sense. The principle involved is that the individual should treat the government supported part of his work in the same way he treats the university supported part. For example, it would certainly be improper for an individual to work a 40 hour week on his research, spend nights and weekends preparing course lectures, and then claim 100% reimbursement for research time or even claim 100% "effort" as a basis for cost sharing research time. A rough rule of thumb is that a faculty member engaged in "full time" academic duties could not be expected to claim more than 50% of his time during the academic year as devoted to research, thus putting an effective limit with cost sharing of 25% reimbursable time during the academic year.

Consulting

A long standing tradition permits faculty members working full time to earn money by outside consulting during the academic year. One day a week is often considered as "customary." Some universities place a limitation on total outside earnings, and others merely insist that the con-

sulting work not interfere with his academic duties. Faculty opinion usually enforces a certain degree of social sanction against excessive consulting. Outside activities tend to be regarded as legitimate in inverse proportion to the amount of income derived therefrom. Thus, an individual who devotes a great deal of time to unpaid professional society work is not usually criticized, and a man who devotes a good deal of time to government committees is less criticized than a man who receives large consulting fees from industry or who operates a profitable business on the side. Universities usually encourage a certain amount of consulting, especially in engineering and medicine, because it enhances a faculty member's professional standing. In pure science consulting has been less highly regarded, but is thought to be desirable if it involves creative work and brings a man into broader contact with his special field. Through his consulting contacts, a scientist can often orient his own research and that of his students into more productive channels. This is especially true in fields such as solid state physics or organic chemistry, in which industry is doing very similar work to what is done in universities.

If a faculty member is paid only partly out of government funds, especially if the total payment is less than 50% throughout the year, the consulting issue does not present very serious problems, since it can be considered as being done on university time. A more difficult question arises when a man is on a full time research appointment entirely reimbursed by the Government. For this case we believe that the same policies should be applied to the full time man as to the regular faculty member not paid at all out of government funds. We believe that this can be justified to the Government provided the consulting time does not average more than one day a week throughout the year, i. e., about 50 days in a 12 month year. There does not appear to be any reasonable way of monitoring this, other than the conscience of the faculty member, or research appointee, or that of his supervisor, or the criticism of his colleagues. Abuses will show up now and then, but we believe they should be tolerated for the sake of the benefits to the research which result from faculty consulting. It is especially important that the faculty member not place himself in the position of being paid twice for the same work, even inadvertently.

The writing of a book or monograph reporting research results or critically reviewing a field related to the work of a contract or grant should be considered as a research activity. A question might then arise with respect to royalties or honoraria received in connection with such a book, since the time and effort may have already been paid for by the Government. Ordinarily we would say that the author is entitled to keep the royalty or honorarium if this is the policy of the University with respect to similar work done on its time. The same would be true of the work of preparation

of a lecture or lecture series for which an honorarium is received. The lecturer should be permitted to keep the honorarium even if the lecture were prepared on time paid for by the Government. The argument for this is that the honorarium is payment for a specific end product and not for so many hours worked, and the Government has an interest in encouraging such productions. On the other hand, if the Government pays for secretarial time used in preparation of a book manuscript, the author should be expected to reimburse the Government for such expenses out of the royalties, at least if substantial sums are involved. Time spent in preparing a general textbook should not ordinarily be considered as research time.