

Open Letter from HUCTW on the Economy



December 2, 2008

In the past two weeks, bad news about the economy has seized our attention on the Harvard campus as it has around the world. Just as media reports were suggesting that the global economic crisis has deepened, Harvard officials recently issued their first statements about the impact on our University and plans for dealing with a difficult financial situation. In this letter, we will recap those recent events and offer our Union's view about priorities and strategies for challenging financial times.

On November 10, President Drew Faust published a letter to Harvard staff, students, faculty and alumni about the current economic situation. The letter pointed to endowment losses and other negatives in the University financial picture. Faust predicted difficult choices ahead, but offered no specific plans about how the University would reduce spending, or how deeply. In the following days, more specific cost-cutting plans emerged from two of the separate Harvard schools. The Harvard Medical School announced it has asked its departments to draft operating budgets for next year with a 10 percent reduction. The Dean of the Faculty of Arts and Sciences wrote to FAS faculty about a decision to suspend staff hiring for the near future. These communications were reported widely in the local and national media.

It is not simple to interpret these developments and their meaning for Harvard employees. The University has not released any detailed information about the condition of our endowment, but it is likely that Harvard's investments have lost significant value in the last few months. Because endowment income is a large portion (34 percent last year) of Harvard's annual revenues, those revenues will likely decline in the short term. It is also predictable that income from gifts and tuition will be reduced in the near future, as donors and students' families feel the economic pinch.

At the same time, it is not obvious that deep cuts in operating budgets are absolutely necessary. The endowment enjoyed extremely strong growth in recent years and grew to unprecedented levels. As a result, even after recent losses it may be possible to distribute healthy amounts of endowment income for operating budgets in the next year. It would also be wise to slow down the aggressive timetable for building the new Allston campus, which has accounted for a large fraction of Harvard's spending in recent years. In a number of areas, such as energy conservation and employee wellness, concerted campus-wide activity could result in significant savings. At this point, we do not know whether actions such as those taken in the FAS and HMS will be pursued for the long term, or whether other units will follow suit. With so many unanswered questions, it is unclear

how severe the impact will be in different sections of the University and it may still be too early for some units to make specific plans.

As we write this message, the University is in the early stages of its annual budget-making process for a new fiscal year beginning July 1, 2009. University financial officials are drafting budget instructions for the schools and departments. The units will very soon begin preparing budgets to be considered by the Harvard Corporation and approved in February or March.

HUCTW leaders are actively engaging Harvard administrators, at the University level and in the schools, to press our ideas about a thoughtful and principled approach to the current difficulties. At the University level, we are urging Harvard financial officials to distribute endowment income as generously as possible, to slow down significantly on Allston campus construction and other capital projects, and to invest ambitiously in programs supporting energy conservation and employee wellness. In short, every effort should be made so that the units do not need to cut deeply into operating budgets.

At the school level, the HUCTW message is that where spending needs to be reduced, we should look first at consulting, travel and catering budgets. In an enterprise as deeply and broadly human as our University, cuts in labor costs -- by reducing staffing or any other means -- should be a last resort. At the heart of all of these discussions is a reminder that the Harvard staff are deeply engaged partners with the faculty and students, and our members are hands-on practitioners of education, research and student services. Reductions in personnel cost will inevitably result in lower quality of the core Harvard activities to which we are all strongly committed.

Perhaps the most important push from HUCTW will be for more transparency and collaboration in financial decision-making at all levels of the University. The unprecedented challenges facing Harvard will require an unprecedented degree of openness and engagement, if we expect to weather the economic storm in a way that carefully safeguards the University's excellence and treats all of Harvard's citizens fairly. In the next few months, we hope, many of our Union's members and friends will have the opportunity to join in an active, creative discussion about priorities, choices and Harvard's future in a rapidly changing world. Broad, constructive participation, involving all constituencies and perspectives, offer the best hope for truly great outcomes.

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