25 Ways to Reduce the Cost of College

#6: Reduce Administrative Staff

Abstract

Recent studies by Daniel Bennett of CCAP, by Jay Greene of the University of Arkansas, and by the Delta Cost Project substantiate what many faculty have long claimed: administrative costs are soaring at universities, mainly through the growth of staff, though also by large increases in compensation, particularly at the highest levels. For example, from 1997 to 2007, the proportion of full-time equivalent employees in the categories "executive, administrative, and managers" and "other professionals" rose from 22.6 percent to 26.1 percent, continuing a trend that had begun still earlier. Universities and even many liberal arts colleges suffer from a huge bureaucracy that is not only expensive, but contributes to slow and often non-innovative decision making. It is not uncommon for schools to have more people working in an administrative capacity than serving as faculty members.

In the private sector, businesses facing intense competition often slash administrative staffs—the auto companies are a good recent example. Administrators do not make cars, nor do they teach classes. You can have a university without administrators, but not without students or faculty. The minimization of administrative costs and bureaucracy should be sought in any university reform. A few decades ago, few universities had more than a small centralized public relations staff. The typical mid- to large-sized school today has PR people in units throughout the university. Similarly, the number of people involved in affirmative action, diversity coordination, or serving as multi-cultural specialists has soared. As the nation shows continued and often spectacular progress in eliminating the vestiges of discrimination, is it still necessary to have all of these people? Do campuses really need to hire sustainability coordinators? Do they need associate provosts or vice presidents for international affairs? All of these types of jobs simply did not exist 40 years ago.

A related problem is the explosion in salaries, particularly for senior administrators. Even five years ago, $500,000 was considered an extremely high salary for a university president, whereas today a growing number make $1 million or more. Chief financial officers of universities that made $175,000 five years ago often make $300,000 or more today. Universities argue they need to pay these amounts to keep up with their peers and to be competitive with the private sector. But universities offer benefits including higher job security not available in the private sector and for decades were able to attract very competent administrators for salaries that, relative to other workers, were far lower than they are today.

The expanded version of this work offers some suggestions on combating administrative bloat. No doubt the root problem is that there are few incentives to reduce administrative costs, and

little or no accountability of top administrators to external forces, in part because of huge amounts of third party subsidy payments.

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About the Authors

This study is the result of a collaborative effort among the staff of the Center for College Affordability and Productivity. Authors include:

Richard Vedder, Andrew Gillen, Daniel Bennett, Matthew Denhart, Jonathan Robe, Todd Holbrook, Peter Neiger, James Coleman, Jordan Templeton, Jonathan Leirer, Luke Myers, Ryan Brady, and Michael Malesick

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Center for College Affordability and Productivity

The Center for College Affordability and Productivity (CCAP) is an independent, nonprofit research center based in Washington, DC that is dedicated to researching public policy and economic issues relating to postsecondary education.

1150 17th Street NW #910
Washington, DC 22036

Tel: (202) 375-7831
Fax: (202) 375-7821

www.centerforcollegeaffordability.org
www.collegeaffordability.blogspot.com

#6: Reduce Administrative Staff

A thorough analysis of the data reveals that American colleges and universities are increasingly bloated with administrative bureaucracies. The composition of the higher education workforce has shifted dramatically in favor of administrative and support staff in recent years, substantially outpacing the growth in enrollment. College expenditures on administration and support services have grown at a much faster rate than education expenditures, resulting in a less efficient workforce. Despite a lack of clear performance measures, this workforce is very well compensated. This trend suggests that institutional priorities have shifted from research and providing an education to empire-building. The following chapter provides a compelling case that schools need to reduce their administrative staffs in order to make college more affordable.

Composition of the Workforce

The administrative bureaucracy on college campuses is comprised of two main classifications of employees: (1) executive, administrative or managerial and (2) other professionals, or non-instruction-related support staff. Combined, these two classifications of employees made up 26.1 percent of the total workforce (31.6 percent of full-time equivalent[134] employees) at colleges in 2007, an increase of 15.2 percent (a 19.4 percent increase for FTE) from 1997.[135]

Table 6.1 displays the total and FTE staff by occupation at degree-granting institutions, in terms of both absolute and percentage of staff, in Fall 1997 and Fall 2007. Table 6.2 shows the percentage change, in terms of the absolute number and composition of the workforce, for the total and FTE staff between the two periods.

[134] Full-Time Equivalent (FTE) is a common measure used by colleges that is computed by taking the sum of the number of part-time employees (students) divided by three and the number of full-time employees (students).
[135] Derived using National Center for Educational Statistics (NCES) table 244: Total and full-time-equivalent staff in degree-granting institutions, by employment status, control of institution, and occupation. Data drawn from 1997 and 2007 IPEDS Fall Staff Surveys.

Table 6.1: Total & FTE Staff in Degree-Granting Institutions, by Occupation; All Institutions

	Fall 1997				Fall 2007			
	Total		FTE		Total		FTE	
	Number (1,000s)	% of Staff	FTE (1,000s)	% of Staff	Number (1,000s)	% of Staff	FTE (1,000s)	% of Staff
Total Staff	2,753	100%	2,180	100%	3,561	100%	2,762	100%
Exec/Admin/Managerial	151	5.5%	148	6.8%	218	6.1%	214	7.7%
Faculty	990	36.0%	709	32.5%	1,371	38.5%	927	33.6%
Graduate Assistants	223	8.1%	92	4.2%	329	9.2%	136	4.9%
Other Professionals	472	17.1%	428	19.7%	712	20.0%	658	23.8%
Non-Professional Staff	917	33.3%	802	36.8%	932	26.2%	827	29.9%

SOURCES: NATIONAL CENTER FOR EDUCATION STATISTICS TABLE 244; IPEDS FALL STAFF SURVEYS

Table 6.2: Percentage Change in Staffing at Degree-Granting Institutions, by Occupation; All Institutions

	% Change, Fall 1997 to Fall 2007			
	Total		FTE	
	Absolute Number	% of Staff	Absolute Number	% of Staff
Total Staff	29.4%		26.7%	
Exec/Admin/Managerial	43.7%	11.1%	44.7%	14.1%
Faculty	38.6%	7.1%	30.8%	3.2%
Graduate Assistants	47.7%	14.2%	48.0%	16.8%
Other Professionals	50.7%	16.5%	53.6%	21.2%
Non-Professional Staff	1.7%	-21.4%	3.0%	-18.7%

SOURCES: NATIONAL CENTER FOR EDUCATION STATISTICS TABLE 244; IPEDS FALL STAFF SURVEYS

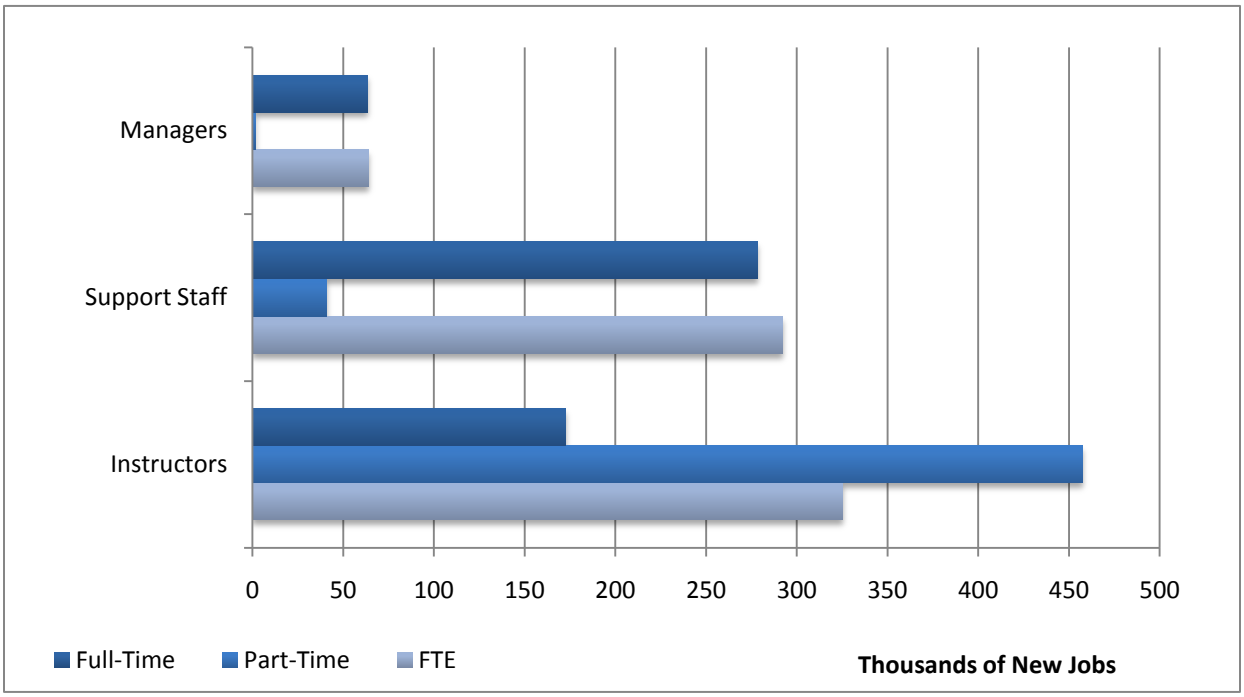
Job Growth at Colleges

Using the IPEDS Fall Staff Surveys data collected for a previously released CCAP report,[136] a sample of 2,782 institutions revealed that colleges added 690,373 full-time equivalent (518,489 full-time; 515,651 part-time) jobs between 1987 and 2007, an increase of 39 percent (33% FT; 85% PT). Of this increase, 51.6 percent of the new positions were either managerial[137] or

[136] Daniel Bennett, "Trends in the Higher Education Labor Force: Identifying Changes in Worker composition and Productivity," (Washington: Center for College Affordability and Productivity, 2009).
[137] Managerial includes employees classified as executive, administrative and managerial.

support staff[138] (356,347 FTE jobs), whereas only 47.1 percent were instructional (325,029 FTE jobs). Figure 6.1 shows the aggregate nominal increase in jobs at the colleges included in the sample between 1987 and 2007, by occupation and status.[139] FTE instruction and management positions each increased by 53 percent during the period (36% vs. 53% FT employees, respectively; 113% vs. 43% PT employees, respectively), whereas FTE support staff increased by 100 percent during the period (101 % FT; 81 % PT).

Figure 6.1: Job Growth by Position & Status: 1987 to 2007

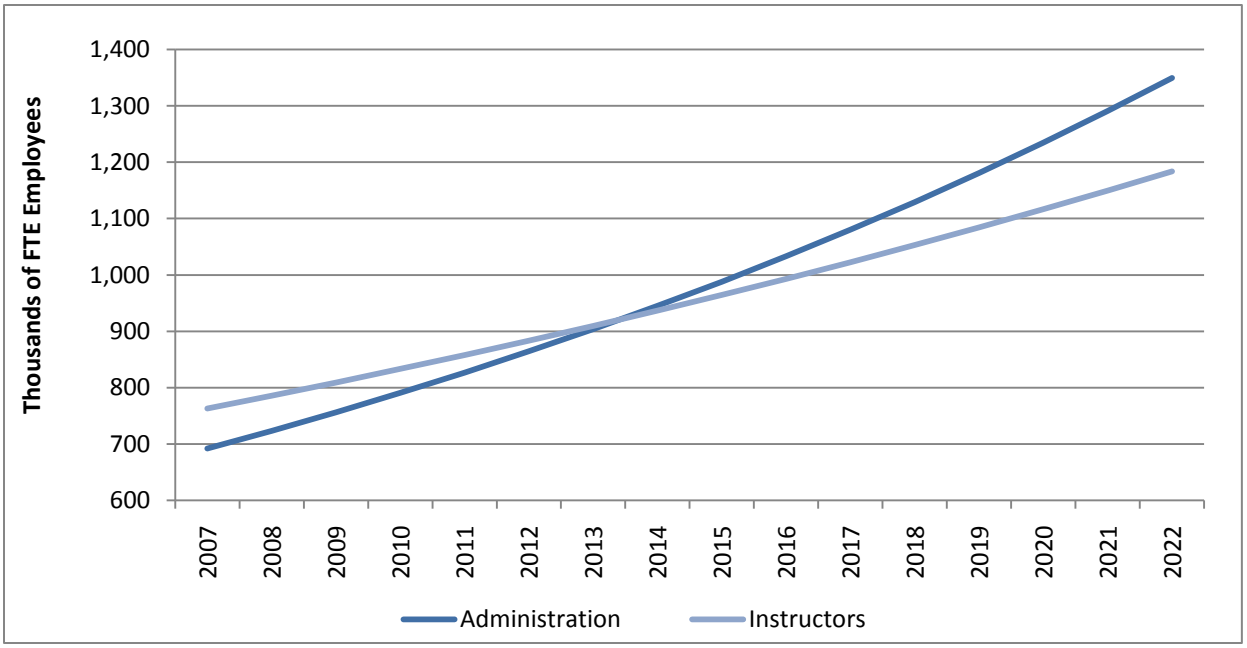


SOURCE: IPEDS FALL STAFF SURVEYS

The growth of non-instructional staff is so fast that if these job growth trends were to continue, the number of managers and support staff (administration) at 4-year not-for-profit colleges would outnumber instructors by 2014. Using the average annual percentage increase between 1997 and 2007 for each of the three job categories (managers, support staff and instructors) as the respective rate of growth[140] and combining support staff and managers into one category as administration, figure 6.2 shows the job growth projection for the combined 4-year public and private not-for-profit institutions that were included in the sample.

[138] Support staff includes employees classified as other professionals, whose primary purpose is performing academic support, student service and institutional support.
[139] The 2,782 schools in the sample account for 55 percent of all degree-granting institutions and 85.5 percent of the FTE student enrollment in 2007.
[140] The average annual growth rate between 1997 and 2007 was 4.56% for administration, 2.97% for instructors.

Figure 6.2: Employee Projection at 4-Year Public & 4-Year Private Not-for-Profit Colleges



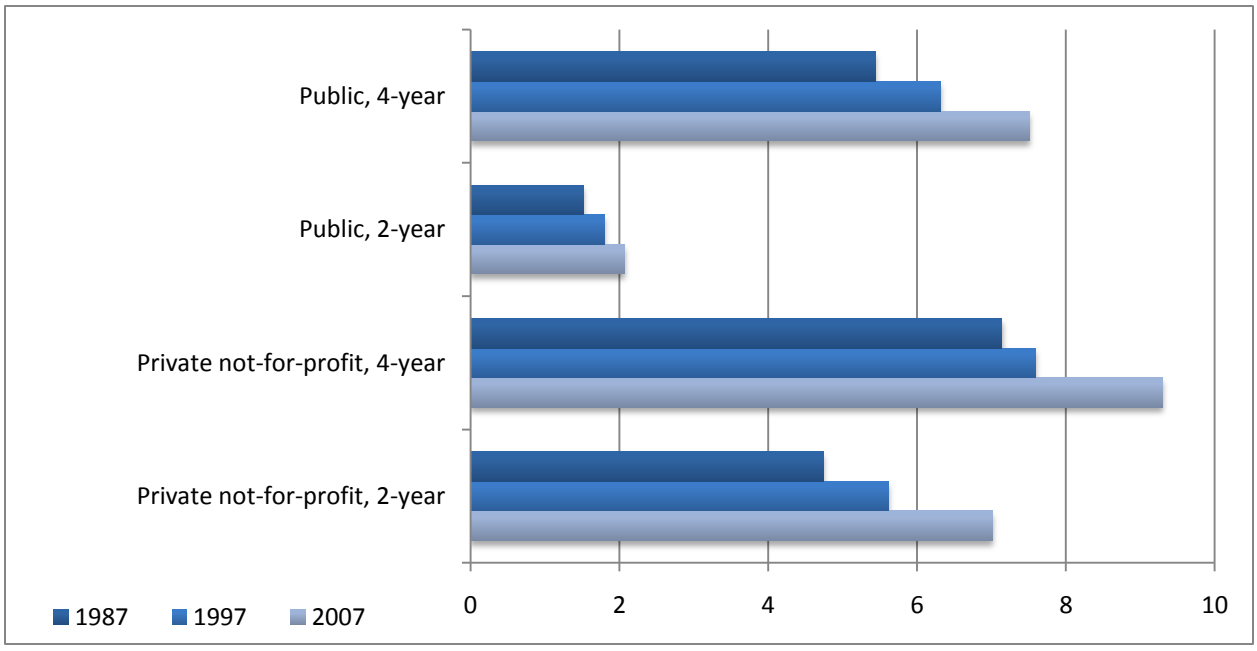
SOURCE: IPEDS FALL STAFF SURVEYS

Growth of Administrative Staff Relative to Enrollment

While the previous section discussed the growth of college administrations in absolute terms over the past twenty years, colleges have also experienced a growth in enrollment during the period. Therefore, a measure of administrative growth relative to enrollment is perhaps more appropriate. Figure 6.3 displays, by sector, the ratio of FTE administrative employees[141] per 100 FTE students in 1987, 1997 and 2007. This ratio has increased over each time period for all four of the sectors mentioned. The private not-for profit 4-year institutions had the highest ratio of FTE administrative employees per 100 FTE students, 9.3 in 2007, an increase of 30.2 percent since 1987. The public 4-year institutions had a ratio of 7.5 in 2007, an increase of 38.2 percent over twenty years. The private not-for profit 2-year institutions had a ratio of 7.0 in 2007, an increase of 47.8 percent since 1987. The public 2-year institutions had a ratio of 2.1 in 2007, an increase of 36.4 percent over twenty years.[142] Thus, it is clear that the growth of administrative employees has occurred not only in absolute terms, but also relative to enrollment.

[141] Sum of support staff and management.
[142] Daniel Bennett, "Trends in the Higher Education Labor Force: Identifying Changes in Worker Composition and Productivity," (Washington: Center for College Affordability and Productivity, 2009).

Figure 6.3: FTE Administrative Employees Per 100 FTE Students



SOURCE: IPEDS FALL STAFF SURVEYS (1987, 1997, 2007)

Spending Trends Indicate a Shift in Priorities

The data in the previous sections described the shift in the composition of the higher education workforce towards administrative and support staff and the growth in these positions. These trends suggest that college staffs are increasingly inflated with administrative personnel. A report released by the Delta Cost Project (DCP) suggests that the growth of college bureaucracies has resulted in a shift in institutional priorities away from instruction. Table 6.3 displays education and related expenses[143] (E&R) spending by educational category and institutional sector on a per FTE student basis as well as a share of total E&R spending in 1995 and 2006, as reported by DCP.[144]

In absolute dollars, E&R spending (which is comprised of instruction, student services, and some administration spending) on instruction increased between 1996 and 2006 in all six sectors; however, as a share of all E&R spending, it declined in all six. Additional resources were

[143] E&R includes all spending for instruction and student services, plus a portion of spending on academic and institutional support and for operations and maintenance of buildings. This is sometimes referred to as a "full cost of education" measure.
[144] "Trends in College Spending: Where does the money come from? Where does it go?" The Delta Cost Project, 2009.

disproportionately allocated to student services and administrative support, which increased in both absolute and relative terms in all six sectors.[145]

In the public research sector, combined spending per FTE student on student services and administrative support grew 15.5 percent, or by 1.5 percentage points as a share of total E&R spending. The public master's sector experienced an increase of 20.5 percent in combined spending per FTE student on student services and administrative support, or an increase of 3 percentage points as a share of total E&R spending. In the public community college sector, combined spending per FTE student on student services and administrative support grew 18.7 percent, or by 2.6 percentage points as a share of total E&R spending.[146]

In the private research sector, combined spending per FTE student on student services and administrative support grew 49.5 percent, or by 4.3 percentage points as a share of total E&R spending. The private master's sector experienced an increase of 30.9 percent in combined spending per FTE student on student services and administrative support, or an increase of 2 percentage points as a share of total E&R spending. For the private bachelor's sector, combined spending per FTE student on student services and administrative support grew 34.3 percent, or by 2 percentage points as a share of total E&R spending.[147]

Administrative Salaries

Using the IPEDS 2007 Fall Staff Survey data, we were able to determine the number and percentage of administrative employees[148] with salaries above $50,000, $65,000, $80,000 and $100,000 by institutional type. At doctorate/research universities,[149] 58 percent of administrative employees (245,310) earned a salary above $50,000, with 9.9 percent (41,905) drawing a salary greater than $100,000. At master's colleges,[150] 48.9 percent of administrative employees (63,056) were paid a salary greater than $50,000, with 8.4 percent making more than $100,000 (10,787). At baccalaureate colleges,[151] 42.5 percent of administrative employees (27,132) were paid more than $50,000, with 6.8 percent (4,328) taking home a salary above $100,000.[152] Table 6.4 displays the earnings level of administrative staff by institutional level for fall 2007, with the number of schools included in parentheses.

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[145] "Trends in College Spending: Where does the money come from? Where does it go?" The Delta Cost Project, 2009.
[146] Ibid.
[147] Ibid.
[148] Sum of the IPEDS 2007 Fall Staff "Executive/Administrative and Managerial" and "Other Professional" occupation classifications.
[149] Sum of 2005 Basic Carnegie Classifications "Doctoral/Research University," "Research Universities (high research activity)" and ""Research Universities (very high research activity)".
[150] Sum of 2005 Basic Carnegie Classifications Master's Colleges and Universities – larger, medium and smaller programs.
[151] Sum of 2005 Basic Carnegie Classifications "Baccalaureate Colleges, Arts & Sciences", "Baccalaureate Colleges, Diverse Fields" and "Baccalaureate/Associate's Colleges".
[152] Figures calculated using *IPEDS* 2007 universe of school, Fall 2007 Staff.

Table 6.3: E&R Spending by Sector and Educational Category (in 2006 Dollars)

School Type	Instruction		Student Services		Administrative	
	1995	2006	1995	2006	1995	2006
Public Research						
Spending / FTE Student	$8,007	$8,711	$975	$1,202	$3,447	$3,906
Share of Spending	64.4%	63.0%	7.8%	8.7%	27.7%	28.3%
Public Master's						
Spending / FTE Student	$5,178	$5,509	$947	$1,185	$3,474	$4,141
Share of Spending	53.9%	50.8%	9.9%	10.9%	36.2%	38.2%
Public Community College						
Spending / FTE Student	$4,314	$4,609	$920	$1,110	$2,935	$3,465
Share of Spending	52.8%	50.2%	11.3%	12.1%	35.9%	37.7%
Private Research						
Spending / FTE Student	$15,476	$19,251	$1,883	$3,037	$7,470	$10,946
Share of Spending	62.3%	57.9%	7.6%	9.1%	30.1%	32.9%
Private Master's						
Spending / FTE Student	$5,424	$6,545	$1,683	$2,381	$4,958	$6,312
Share of Spending	45.0%	43.0%	13.9%	15.6%	41.1%	41.4%
Private Bachelor's						
Spending / FTE Student	$6,074	$7,534	$2,273	$3,311	$6,569	$8,566
Share of Spending	40.7%	38.9%	15.2%	17.1%	44.1%	44.2%

SOURCE: DELTA COST PROJECT IPEDS DATABASE, 20-YEAR MATCHED SET

Table 6.4: Earnings Level of Administrative Staff, by Institutional Type (#Schools), Fall 2007

School Type (Number of Schools)	No. of Employees	% With Salary $100,000+	% With Salary $80,000+	% With Salary $65,000+	% With Salary $50,000+
Baccalaureate Colleges (659)	63,813	6.8%	13.5%	23.4%	42.5%
Master's Colleges (602)	128,899	8.4%	16.2%	27.5%	48.9%
Doctorate / Research Universities (272)	423,276	9.9%	19.3%	33.0%	58.0%

SOURCE: IPEDS 2007 FALL STAFF SURVEY

The salaries of senior administrators increased by 4 percent in 2008-09, according to the College and University Professional Association for Human Resources (CUPA-HR), which conducts a series of annual salary surveys of college administrators. This was the third consecutive year at that rate, and the twelfth straight year that salary increases outpaced

inflation, as measured by the Consumer Price Index.[153] CUPA-HR also conducts an annual survey which measures the salaries of midlevel administrators and found that their salaries increased by 3.5 percent in 2008-09,[154] down slightly from the 3.9 and 3.8 percent increases received in the two prior years, respectively.[155] Table 6.5 reveals the typical salary for senior and midlevel administrative workers by functional category and institutional type, as reported in the 2008-09 CUPA-HR salary survey.[156]

The Case for Reducing Administrative Salaries

Administrative staff at colleges has grown in both absolute number and relative to student enrollments. The growth of administrative employees has outpaced that of faculty and instructors. If this trend were to continue in the future, administrative employees would outnumber instructors at 4-year colleges by 2014. Expenditures on education and related expenses are increasingly allocated to administrative and support services and less so to instruction, with expenditures on the former already outnumbering that of the latter in some sectors and approaching parity in the remainder. The majority (58%) of research/doctoral college administrative employees received a salary above $50,000, and nearly 10 percent were paid a six figure salary in 2007-08. In contrast, only 32 percent of individuals over the age of 25 in the U.S. workforce made more than $50,000 in 2007, while 7.7 percent of these individuals brought home $100,000 or more.[157]

Administrative and support staffs in higher education should be reduced in order to lower the costs of providing a college education, to improve employee productivity, and to refocus the mission of colleges to the production and dissemination of knowledge.

[153] Marisa Lopez-Rivera, "Pay of Senior Administrators Still Beats Inflation, Even in Sluggish Economy," The Chronicle of Higher Education, 27 February 2009.
[154] Marisa Lopez-Rivera, "Raises for Midlevel Workers Trail Those for Top Level Administrators," The Chronicle of Higher Education, 27 March 2009.
[155] Marisa Lopez-Rivera, "Median Pay Increases for Colleges' Midlevel Workers Beats Inflation," The Chronicle of Higher Education, 28 March 2008.
[156] Functional job category salary data are the median of the CUPA-HR median salaries of all occupations listed under each functional area, as reported by *The Chronicle of Higher Education*. See notes 16 and 17.
[157] Calculated using U.S. Census Bureau Current Population Survey; 2008 Annual Social and Economic Supplement, Table PINC-03.

Table 6.5: Typical Administrative Worker Salary by Functional Category and Type of Institution, 2008-09[158]

Functional Job Category	All	Doctoral	Master's	Baccalaureate	2-year
Senior Administrators					
Senior Executives & Chief Functional Officers	$135,555	$183,000	$121,312	$105,528	$98,210
Academic Deans	$134,632	$190,412	$117,974	$92,423	$87,030
Associate/Assistant Academic Deans	$101,325	$116,401	$96,005	$81,305	$76,532
Information Technology	$87,786	$99,694	$81,940	$68,865	$78,856
Human Resources	$76,000	$83,311	$70,000	$64,413	$71,482
Business and Administrative Affairs	$73,705	$90,000	$67,032	$59,871	$59,288
External Affairs	$73,137	$91,702	$69,419	$59,854	$67,635
Athletics	$67,487	$89,500	$60,100	$58,051	$56,897
Student Affairs	$61,670	$77,181	$58,012	$53,680	$59,885
Midlevel Administrators					
Information Technology	$54,273	$60,997	$51,549	$52,293	$53,686
Human Resources	$52,593	$51,969	$47,100	$45,396	$53,925
Business & Administrative Affairs	$51,655	$54,559	$49,314	$47,055	$50,924
Athletics	$51,500	$65,874	$45,799	$45,000	$44,846
Academic Affairs	$50,103	$51,847	$47,903	$45,157	$47,386
External Affairs	$48,669	$49,167	$46,472	$46,158	$49,738
Student Affairs	$44,691	$46,337	$43,324	$41,525	$44,432

SOURCE: CUPA-HR, 2008-09

[158] The median salaries for senior executive and chief functional officers at all institutions ranged from more than $79,000 for the secretary of an institution to nearly $325,000 for the chief executive of a system. For academic deans, the median salaries at all institutions ranged from $83,750 for external degree programs to more than $386,500 for medicine. For associate/assistant academic deans, the median salaries at all institutions ranged from $66,000 for special program to nearly $180,000 for medicine. For information technology employees, the median salaries at all institutions ranged from nearly $33,000 for entry level computer operators to $105,000 for the director of research computing. The median salaries for business and administrative affairs employees at all institutions ranged from slightly above $27,000 for a security guard to nearly $155,000 for the director of a university research park. The median salaries for external affairs employees at all institutions ranged from more than $35,300 for an assistant writer to more than $127,500 for a director of governmental/legislative relations. The range of athletics employees' median salaries at all institutions was between $35,700 for an assistant baseball coach to more than $95,000 for an athletic director. For student affairs employees, the median salaries at all institutions ranged from $29,400 for a residence hall manager to more than $153,000 for a director of student health services.

Lower the Costs of Providing a College Education

According to the National Center for Education Statistics, the nominal costs of attending college (tuition, fees, room and board) increased by 67 percent at public and 56 percent at private institutions between the 1995-96 and 2005-06 academic years. After accounting for inflation, these figures equate to real increases in the cost of attending college of 30 and 21 percent at public and private institutions, respectively. This amounts to an average annual *real* increase of 3 percent at public and 2.1 percent at private colleges.[159]

The proliferation of university administrative and support staffs has contributed to this rapid rise in the cost of college. As discussed earlier, the number of such employees has grown substantially over the past two decades. The costs associated with having such a large administrative bureaucracy are substantial, including not only the salary figures previously mentioned, but also other forms of compensation (e.g. health and life insurances, retirement contributions, tuition discounts, and housing and car allowances for some senior officials).

Reducing the size and scope of the bureaucracy on campus by 5 percent would result in considerable savings – an estimated $1.78 billion, or $106 per student, at non-profit 2- and 4-year institutions in 2007 alone.[160] Table 6.6 displays the estimated total and per student savings that would result from a 5 percent reduction in administrative staff in 2007 by sector, with the number of schools included in the calculation in parenthesis.

Table 6.6: Estimated Savings from a 5% Reduction in Administrative Staff

Sector (Number of schools)	Total Savings (Millions)[161]	Per Student[162]
Private not-for-profit, 2-year (186)	$7.9	$157.78
Private not-for-profit, 4-year or above (1,543)	$689.7	$194.01
Public, 2-year (1,082)	$334.9	$54.32
Public, 4-year or above (627)	$746.1	$107.32
Total (3,438)	$1,778.6	$106.36

SOURCE: IPEDS 2006 FINANCE AND ENROLLMENT SURVEYS

Improve Employee Productivity

The rapid rise in administrative staffs has resulted in a decline in employee productivity. The two main means of measuring output in higher education are number of students enrolled and the number of degrees awarded. Using these data points, it is possible to estimate two

[159] United States, Department of Education, "Digest of Education Statistics 2006," (Washington: NCES, 2007).
[160] IPEDS 2006 Enrollment and 2006 Finance Surveys.
[161] Savings estimated by reducing the sum of salaries and wages and (fringe) benefit expenditure on institutional support and student services by 5 percent.
[162] Total savings divided by number of total students (full and part-time).

measures of administrative staff productivity: (1) students per administrative employee and (2) degrees awarded per administrative employee. In terms of enrollment, administrative employee productivity in the non-profit sectors[163] declined by between 23.2 and 27.6 percent between 1987 and 2007.[164] In terms of the number of degrees awarded, administrative employee productivity in the non-profit sectors declined by between 15.8 and 19.1 percent between 1987 and 2007.[165] A small reduction (5 percent for instance) in administrative and support staff would increase productivity significantly.

Refocus the Mission of Colleges to the Production and Dissemination of Knowledge

As mentioned earlier, expenditures on administrative and student services have increased disproportionately compared to instruction, suggesting that institutional priorities have shifted away from their primary purpose of education. Adding credence to this argument is the fact than twice as many full-time administrative and support staff as full-time instructional positions were created between 1987 and 2007.[166] Colleges have increasingly staffed classrooms with part-time adjunct instructors, who are paid a small fraction of their full-time counterparts' wages, often without any benefits. The savings associated with this shift in paradigm, which is arguably worse for students, have been squandered away in a higher education arms race that includes a doubling of support staff over the past twenty years.[167] Higher education needs to trim down the bureaucratic fat that has encompassed campuses and refocus its mission on the production and dissemination of knowledge.

Recommendations

The evidence strongly suggests that administrative staffs have overpopulated college campuses. If the current trends in staffing were to continue, the number of administrators would outnumber instructors in the higher education industry within five years. Roughly a quarter of 4-year non-profit colleges reported having more full-time equivalent administrative support employees than instructors in 2007.[168] This is a serious disease that has plagued higher education and needs to be eradicated. The ongoing financial crisis has created a cost-cutting environment on many campuses. This situation has led some colleges to implement a number of measures, including employee layoffs, furloughs and consolidations. Our recommendations include eliminating redundant or comparable departments and positions, filling administrative positions with students, implementing an incentive-based compensation system, outsourcing services and making effective use of technology.

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[163] Estimated range includes 4-year private not-for profit, 2-year public and 4-year public sectors.
[164] Daniel Bennett, "Trends in the Higher Education Labor Force: Identifying Changes in Worker composition and Productivity," (Washington: Center For College Affordability and Productivity, 2009).
[165] Ibid.
[166] Ibid.
[167] J Brainard et. al, "Support Staff Doubles in 20 Years, Outpacing Enrollment," The Chronicle of Higher Education, 24 April 2009.
[168] Calculated using data from IPEDS 2007 *Fall Staff Survey*.

Consolidate Redundant or Comparable Departments and Positions

It is not uncommon for different departments to offer very similar educational programs, or for similar services to be provided by multiple administrative offices on a college campus. When this happens, it imposes additional administrative burden and costs. Colleges should evaluate their program and student service offerings to identify redundancies and potential areas for streamlining activities. Doing so will permit colleges to consolidate their offerings in a more efficient and cost-effective manner. Several recent cases highlight the potential cost savings.

> Case Study 6.1: Converse College, an all-women's liberal arts college in South Carolina, announced in late April 2009 plans to reorganize over the next two years. The initiative will include consolidating academic programs and departments, streamlining student services and reducing expenses with an 8 percent reduction in staff. The changes include "the housing of all Converse academic programs under the umbrella of three distinct areas: a School of Humanities and Sciences, a School of Arts and a School of Education and Graduate Studies," and the consolidation of student services into four clusters (Student Advancement and Transitions Center, Enrollment and Billing, Student Engagement, and Distance Learning and Continuing Education). The reorganization will permit Converse to eliminate 11 staff and 7 faculty positions over two years. [169]
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> Case Study 6.2: In May 2009, the University of Florida announced cost-reducing job cuts that included the elimination of approximately 150 faculty and staff positions. It plans to save up to $30 million, in part by merging some small departments and offices, including the departments of operative dentistry and dental biomaterials, the department of Communication Science and Disorders in the College of Liberal Arts and Sciences and the department of communicative disorders in the College of Public Health and Health Profession, and the Mental Health Center and the Counseling Center within Student Affairs.[170]

Fill Administrative Roles with Students

Many students are willing to take at least a part-time job while in school. According to the College Board, 48 percent of full-time and 84 percent of part-time undergraduate students under the age of 25 were employed in 2005.[171] A Federal Work Study program provides funding to institutions to be allocated to low-income students in exchange for part-time work on campus or in the community. Work study students are guaranteed minimum wage, suggesting that colleges could employ students in an administrative capacity at a fraction of the cost of professional full-time employees.

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[169] Gary Glancy, "Converse Announces Reorganization Plans," Go Upstate, 20 April 2009.
[170] "Final Budget Reduction Plan Announced," Budget News: The Latest on the Budget at UF, (University of Florida, 22 May 2009).
[171] "Trends in Student Aid 2007" Collegeboard, 25 May 2010, <http://www.collegeboard.com/>.

Filling more administrative roles with students would be a win-win strategy for both students and colleges. Students would benefit from gaining hands-on job experience, as well as earning money to help offset the cost of college. Colleges would directly benefit by reducing their labor costs. There would also be indirect benefits to colleges, such as a low-cost probationary screening of potential future employees and providing students with much-needed work experience that will make them more employable upon graduation, which would be an image-boosting reflection on the college.

> Case Study 6.3: Rhodes College, a liberal arts school in Tennessee, began a student associate program in 2004 that provides funding for 100 students to "work in jobs that reinforce their classroom learning and earn up to $4,500 a year." Most Rhodes Student Associates work in academic departments and administrative offices doing work that is proposed and guided by professors or staff members who assure that the work is of a "professional level and relates directly to each student's area of study or desired career." Such positions are funded by the institution and pay between $10 and $12 an hour. The program provides students with meaningful work experience and the college with low-cost employees that save an estimated half million dollars a year, according to Bob Johnson, VP for student and information services.[172]

Implement an Incentive-Based Compensation System

The compensation for many administrative positions, especially senior ones, is currently determined by industry benchmarking – in other words, by determining how much comparable employees at similar institutions are paid. This has resulted in a run-up of administrative salaries without consideration for the employee's actual worth. College presidents are generally compensated in this regard, often with little in the way of incentives for performance in their employment contracts (the common exception being a dubious incentive to move up in the rankings). This method does not consider the value that an employee adds, nor does it provide an incentive for employees to engage in entrepreneurial activity to continually improve processes, enhance performance, reduce costs and streamline activities.

Colleges should consider implementing an incentive-based compensation system that rewards exceptional performance and is punitive for lousy performance. A few examples of measurable goals that could be incentivized include recruitment and enrollment objectives,[173] retention and completion rates, graduate job placements, and cost-saving initiatives. Schools in the for-profit sector reward employees with bonuses and stock options based on performance criteria. While non-profit schools are not publicly traded, they do provide very similar educational services as the proprietary colleges and would be wise to implement some of the management practices used in the for-profit sector, especially ones that incentivize improving performance.

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[172] "Rhodes College Student Associates Earn While They Learn: College Provides Funding for 100 Students Through Innovative Program," Rhodes College News, 21 July 2008.

[173] We recognize that recruiter pay based on enrollment numbers is against Title IV rules; however, there could be alternative enrollment objectives that a college pursues, such as attracting high quality students.

Outsource Services

Colleges are engaged in a plethora of non education-related functions and services that could be outsourced to private providers, reducing the need for administrative employees. We devote an entire chapter to outsourcing, so we will not spend too much time discussing it here, other than mentioning that outsourcing often leads to cost reductions and efficiency gains.

Make Effective Use of Technology

Many colleges still practice an arcane way of conducting business that involves the inefficient shuffling of paperwork among administrative offices, with multiple offices often performing repetitive processes due to a lack of communication and visibility of workflows. This confusion increases the cost of information sharing, as more administrative and support staffs are employed than ought to be required. This is still occurring despite multi-million dollar investments in enterprise resource planning (ERP) systems on many campuses. It is true that some college processes, such as library services, registration and admissions have moved into the digital age, but much more efficiency can be achieved with the effective use of technology. There are many more processes that should be integrated into existing systems. This step, as well as improvement of existing electronic processes, will reduce the administrative burden on colleges and ultimately save money.

Bernie Kluger, CEO of FairChoice Systems, provided us with a few examples of how colleges could utilize technology to their advantage. He estimates that colleges could reduce the cost of administering student housing by 3 to 5 percent by doing online housing contracts.[174] His firm also estimates that colleges could save an annual $25,000 per 1,000 entering students by "migrating its vaccination certification process from paper to the Web."[175] The implementation of such processes would require a one-time fixed cost, but would reduce labor costs and inefficiencies for every subsequent year.

Conclusion

The recent explosion in tuition is at least partially attributable to the fact that administrative bureaucracies have ballooned out of control. This trend simply cannot continue as public sentiment over the upward spiraling costs worsens. Colleges need to refocus their mission on providing a quality education at an affordable cost. This requires increases in worker efficiency and a return to a realistic pay structure. These goals can be achieved in a multitude of ways, including the consolidating comparable departments and positions, implementing an incentive-based compensation system, filling administrative roles with students, outsourcing non-education related services and making effective use of technology.

[174] Bernie Kluger, Personal Phone Interview, 22 May 2009.
[175] "Colfumbia University Licenses Student Health Information Solution to FairChoice Systems," FairChoice Systems, 26 February 2010, 25 May 2010, <www.fairchoicesystems.com/cuandfs.php>.