“Hard Decisions”: Retrenchment and The Faculty Role

By Edward P. St. John

Observers of American higher education have anticipated a financial disaster for over two decades. That crisis has arrived, but, despite ample warning, most colleges and universities are unprepared to deal with the consequences of retrenchment.

In the early 1970s, Earl Cheit identified a “new depression” in higher education, induced, he argued, by excessive aspirations. A new management orientation emerged in the late 1970s that helped institutions to downscale their plans and to adjust to large predicted enrollment declines. But these declines—and the accompanying closure of numerous institutions—never occurred. The emergence of new managerial techniques—especially strategic planning and enrollment management—may have helped colleges and universities keep enrollments stable and avert the predicted crisis. Alternatively, a major shift in the labor market, which influenced many adults to return to college, may have helped colleges to avert the crisis.

Why now, just when demand for higher education was supposed to expand again, is public higher education faced with a new, perhaps more difficult, financial crisis? External economic and political forces—not decreasing demand—provide the answer. Many states, encountering serious tax-revenue shortfalls, substantially reduced their appropriations to higher education. And, after

more than a decade of rising tuition and a shift in federal student aid from grants to loans, federal financial assistance no longer assured continuous enrollment in public higher education. The widely held belief in the wastefulness of higher education, promoted by news editorials and government reports, added fuel to the fire. The new managerial culture did not adequately prepare colleges and universities to deal with these conditions.

College and university administrators, confronted by revenue shortfalls, usually "retrenched," that is, a centralized team made "hard decisions" about who stays and who leaves. Scholars and practitioners proposed "rational" models to guide institutions through retrenchment, but the rationality of these decisions seldom stood up to critical scrutiny. Instead, the results were usually inequitable, with identifiable winners and losers. Coalitions of central administrators and faculty members from research-revenue generating departments in research universities, for example, might "win" a retrenchment war over members of departments that emphasize instruction or that educate students for female-dominated professions.

This study examines the current financial crisis and the politics of retrenchment in two universities that retrenched during the 1992-1993 academic year, emphasizing the role faculty members played in the process and the efficacy of alternative methods of faculty involvement. We first provide the reasons for selecting the universities, the methods used to collect and review documents, the interview approaches, and study delimitations.

This study grew out of discussions with staff members at the National Education Association, who desired an economic analysis of the impact of the retrenchment process in Maine. The proposed interpretive analysis sought to identify new ways of thinking about faculty and staff involvement in financial decisions that affect their institutions. The final protocol called for examination of two universities and specified two criteria for their selection.

First, the universities had to be located in states that experi-
enced retrenchment—about half the states in 1992-1993. The two universities selected for analysis—the University of Maine-Orono, a land and sea grant Research I university, and the University of New Orleans, a doctoral-granting university—met this criterion.\textsuperscript{19}

Second, the need for access to the selected universities—especially the ability to conduct candid interviews—required a contact person who could arrange interviews and locate documentary materials. Again, the University of Maine-Orono and the University of New Orleans met these requirements.

The National Education Association and the Maine Education Association provided recent reports and newspaper articles pertaining to Maine's budget and retrenchment processes; other documents and reports were collected during the site visit. We already had access to similar materials on the condition of status of higher education in Louisiana by virtue of faculty membership. National reports on higher education finance supplemented these materials.\textsuperscript{20}

Interviewees were selected for their knowledge and experience. About a dozen administrators and faculty members at the University of New Orleans were interviewed during the summer and fall of 1992 as part of an accreditation study. Interviews, conducted with faculty members, administrators, and state officials, in Maine during summer, 1993, focused specifically on the retrenchment process.\textsuperscript{21}

Scholars are only now examining the processes by which retrenchment decisions are made and the differential effects on departments and divisions of these decisions.\textsuperscript{22} This section examines campus level decision-making and retrenchment as a political process, shows how retrenchment debates are framed, and lists the winners and losers.

Ironically, the political model of colleges and universities as organizations emerged from the study of retrenchment.\textsuperscript{23} Recent studies that use critical theory to examine retrenchment confirm the political nature of the process and clearly identify winners and losers.\textsuperscript{24}

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Financial decisions are more centralized than academic decisions at universities—the result of historic understandings about the role of faculty members in decision making. Faculty members usually play a key role in academic decisions, but only an advisory role in financial decisions. The University of Maine-Orono and the University of New Orleans traditionally adapted the normal faculty and staff advisory committees—administrative committees with appointed members—when reducing the budget.

At the University of Maine-Orono, a special representative committee was formed at the end of each of the prior three years. This committee reviewed the university’s financial condition and recommended the budget cuts. Interviews with a faculty member, a staff member, and an administrator who worked with this committee revealed a highly analytic process that included extensive scrutiny of financial data.

But each interviewee expressed frustration with the process. The administrator indicated that, despite much hard work and high attendance, the committee did little more than push the budget reduction down through the system to the basic units. The cuts were distributed, but the committee avoided the “hard” decisions about what should be cut. The staff member concurred that the supporting budgetary analyses were “impressive,” but expressed consternation that staff members were uniformly hardest hit by the cuts. The faculty member indicated that empirical issues were over-emphasized; underlying issues went unaddressed.

A representative planning group at the University of New Orleans was charged with setting resource distribution priorities. Academic units developed proposals for new activities that were prioritized within the colleges and then within the university. The planning process worked reasonably well at redistributing scarce resources within the colleges and the university, including some faculty lines. But it produced a residue of frustration because there were winners and losers.

Thus, both universities had committees that could have dealt
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with the 1992-1993 budget recisions. But changes in key administrative personnel at the two universities affected the process. A new president at the University of Maine-Orono took charge of the "downsizing" process. The chancellor and a new interim provost at the University of New Orleans, recognizing the frustrations with the existing planning process and acknowledging the prospect of retrenchment, initiated a new "Strategic Planning Group."31

The organizational strategies used in the two universities to make retrenchment decisions in 1992-1993 changed substantially. Administrators at the University of Maine-Orono focused on laying the groundwork for long-term restructuring.32 The new president took personal charge of the process, holding meetings on and off campus so all constituencies could voice their concerns. These "town meetings" created an appearance of openness, but the president and vice presidents chose the actual downsizing strategies in private. Faculty members were excluded from the decision-making process.33

One administrator described this approach as a "strategic decision," based on the assumption that a new president had some political capital and good will. Previous attempts by the representative committee to make retrenchment decisions, this interviewee added, avoided the hard choices. The new process produced cutbacks in some areas that laid the groundwork for future growth. This approach to strategic decisions can be likened to a "pruning" process in which a gardener prunes trees or vines so that they will be more productive in the future.

The University of New Orleans, in contrast, modified its planning process to create more avenues for representation. A new planning structure—in place before the governor rescinded a portion of the university's budget—included faculty representatives and top administrators in a central "Strategic Planning Group." The group encouraged colleges and departments to discuss strategic issues. When the news of the governor's cuts formally reached the campus, the administration immediately delimited the parameters for retrenchment: protecting faculty positions, reducing other operating
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expenses, and generating additional revenues. Prior faculty discontent at the University of New Orleans probably influenced these delimitations.34

A theory of communicative action, developed by Jurgen Habermas, helps to clarify the differences between the processes used at the University of Maine-Orono and the University of New Orleans.35 Habermas distinguished between communicative action—aimed at building understanding—and strategic action—aimed at achieving goals.36 The decision-making processes at both universities were goal-oriented, or “strategic,” by this definition. Habermas then distinguished between “concealed strategic action” and “open strategic action.” Neither planning process was completely open or completely closed, but the universities differed in the type and extent of openness in making the strategic choices. At the University of Maine-Orono, all parties had input through town meetings, but the administrators then relied upon a relatively closed process to make the strategic choices. In contrast, the process used at the University of New Orleans seemed more open, at least to faculty, in the strategic planning process that took place before the budget cuts, and in the actual budgetary decisions.

The retrenchment process produced winners and losers—often influenced by politics rather than economic forces, according to other studies. Departments that served middle-class and female professions—nursing and education, for example—were most likely to be cut.37 Who were the winners and losers in the retrenchment processes on our two campuses?

Both universities cut staff positions first. The University of New Orleans gradually reduced nonprofessional staff positions during the 1980s, usually by attrition. When the 1992-1993 budget revision hit, the university cut operating expenses—reducing the number of days it was open, for example—increased other revenue sources, including a mid-year student surcharge, and eliminated administrative units. A reproduction and reprographics service unit, for example, was cut, then privatized in response to the political fallout. Food
services were contracted out, thereby eliminating civil service jobs.38

The University of Maine-Orono also showed a consistent pattern of staff reduction over a three-year period. When the financial crises began to hit, the unions were asked to give up their negotiated pay increases for 1990-1991. The faculty union was guaranteed that no faculty position would be cut in exchange for forgoing the increase. The staff union was not given this guarantee.39

Administrative staff lack tenure and other protections enjoyed by faculty, so their vulnerability to cuts is not surprising.40 Within administrative ranks, it is generally easier to eliminate staff positions than senior administrative positions—as predicted by critics of administrative excess in higher education.41

The political power of departments influenced the distribution of resources when the cuts affected faculty positions. The University of New Orleans had left numerous faculty positions unfilled for years to cope with the partial funding of the state formula. The priorities of the Strategic Planning Group included accreditation of existing programs,42 increasing the number of doctoral graduates,43 library acquisitions,44 and start-up faculty support.45 These priorities received enhancement funds, while other programs were cut.46

At the University of Maine-Orono, the president’s comprehensive downsizing proposal eliminated 46 faculty positions.47 The proposal included structural reorganizations aimed at reducing duplication:48

• merging the College of Arts and Humanities and the College of Social and Behavior Sciences into a College of Arts and Letters, with a Division of Health and Human Services;
• merging the College of Forest Resources and the College of Applied Science and Agriculture into a College of Natural Resources, Forestry, and Agriculture;
• reconfiguring the College of Business Administration into a College of Business and Public Administration;
• moving the University College (located in Bangor) to the University of Maine-Orono campus and replacing the six
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departments with two divisions;\(^49\) merging departments in the new College of Natural Resources, Forestry, and Agriculture; merging departments in the new College of Arts and Letters; and reconfiguring the School of Engineering Technology into a department.\(^50\)

The president also proposed to merge, phase out, or close a diverse set of programs. Most targeted programs were “middle-class” majors.\(^51\) The exceptions—economics and mathematics—appeared to lack the power base to protect their faculty positions.\(^52\)

The University of New Orleans and University of Maine-Orono cases offer interesting contrasts. The processes used for making decisions about budget reductions at both universities were changed before the 1992-1993 academic year. Both universities made efforts to work within the administrative structure to make decisions about where to cut. The process used at the University of New Orleans appeared more open, but, in both institutions, staff were hardest hit and when academic programs were cut, programs that lacked power suffered the hardest hits.

Faculty members and their unions must not overlook the political side of retrenchment. Departmental power to influence retrenchment decisions appears related to the class orientation—elite or middle class—of their majors, their ability to attract external resources,\(^53\) and their centrality to the strategic objectives of the institution.\(^54\) Administrators at the University of New Orleans, for example, gave high priority to attaining full doctoral status. Departments with doctoral programs held a strong competitive position. Thus, both economic class and strategic centrality influence the distribution of academic power.

This analysis provides new insights into the viability of approaches to mitigating the effects of retrenchment. Scholars and practitioners identify three major approaches:

• implementing cost controls:
Implementing cost controls had a high probability of producing deceptive improvements that impaired educational outcomes.

modifying planning and management methods, such as strategic planning and quality control; and
changing the incentive structure.55

A recent study assessed the probability that these techniques would create:
- marginal productivity improvements—cost reductions with no observable impact on educational outcomes;56
- meaningful productivity improvements—enhanced educational outcomes for a given level of expenditure; or
deceptive productivity "improvements"—per student cost reductions that produce reductions in educational attainment and retention.

The assessment concluded that:
- implementing cost controls had a high probability of producing deceptive improvements that impaired educational outcomes;
- modifying managerial practices, especially by involving faculty members through their basic units, had the greatest potential for realizing marginal productivity gains; and
-changing the incentive structure to encourage faculty members to improve learning outcomes within budget constraints, had the greatest potential for attaining meaningful productivity increases, though the strategy was largely untested.

The University of Maine-Orono and the University of New Orleans case studies help to refine the relationships between the three approaches, productivity improvements, and faculty involvement. These universities mainly relied upon cost controls and across-the-board budget reductions prior to 1992-1993. These strategies—implemented through support staff reductions at the University of Maine-Orono and in attrition in faculty positions at the University of New Orleans—may have led to "deceptive" productivity gains.57

Both universities attempted to involve faculty in a centralized decision-making committee, but neither faculty nor staff at either university received the outcomes with enthusiasm. Implementing
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cost controls to adjust budgets to revenue reductions is a problematic strategy for faculty members.

Both universities responded to new financial conditions in 1992-1993 by adopting more proactive managerial strategies. Administrators at the University of Maine-Orono solicited faculty and staff input through town meetings, but retained a centralized budgetary decision-making apparatus. The Strategic Planning Group at the University of New Orleans, in contrast, combined centralized and decentralized financial planning. The faculty involvement strategy used at the University of New Orleans reduced tensions between faculty and central administration, but the strategy employed by the University of Maine-Orono contributed to escalating tensions.

The University of New Orleans continued to support its strategic objectives, while adjusting to reduced appropriations. The University of Maine-Orono, in contrast, ran into a major conflict with the union, which eventually changed some reductions through collective action. Modifying the managerial processes to involve faculty members, these case studies suggest, lessens the likelihood that the new financial conditions will harm educational outcomes.

Neither planning process, in contrast, successfully dealt with public concerns about productivity in higher education. Neither the University of New Orleans community, nor the planning groups, discussed the intent of the legislature's attempts to implement new cost controls. Modifications in managerial strategies by themselves, this omission suggests, may not result in meaningful changes in productivity.

Nor did either university address financial adversity by changing the incentive structure for faculty members—modifying the reward structure to provide financial incentives for faculty who take on increased teaching loads, or delegating more financial responsibilities to faculty units, for example. No interviewee at the University of Maine-Orono reported efforts to change the incentive structure. Administrators attempted to increase class sizes at the
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University of New Orleans—a strategy that potentially reduced expenditures per student—but did not link cost-reduction strategies to increased faculty pay.63 These new approaches remain hypothetical remedies to the emerging college-cost crisis.

Faculty members and faculty unions in American colleges and universities are at a crossroads. The current college-cost crisis—unlike previous periods of financial stress—raises basic questions about productivity.64 Ideological arguments about productivity have already led to reduced higher education budgets.65 One alternative is to ignore the crisis, assuming that the cost crisis will pass when economic conditions change.66 But this path is risky—cost controls imposed by external agencies and overzealous administrators might seriously harm the quality of academic life.

A second alternative—adjust the managerial processes used on campuses to plan for and control costs—requires greater faculty involvement in the process. The University of New Orleans adopted this approach. But changing the managerial processes also involves a refocus from cost-cutting to promoting meaningful educational productivity gains that reduce unit costs while improving educational outcomes. But adaptation of new managerial strategies would not reduce the likelihood of inequitable resource redistribution. Programs and departments most closely aligned with the strategic objectives of the universities would remain likely to “win” at the expense of programs with heavy teaching loads67 and that serve middle-class majors.68

There is a third, untested alternative—encouraging meaningful productivity improvement by changing the financial incentive structure within colleges and universities. Delegating responsibilities for tuition, student aid, staffing, and retrenchment to academic units would fundamentally change the resource acquisition and distribution process. A portion of state appropriations would “follow the students,” that is, credit-hour production would affect the internal allocation of state dollars. Generated tuition revenues would stay with academic units. Faculty members would be
motivated to focus on educational outcomes.

Pioneering such a course of action, though not without problems, merits debate among faculty members and within faculty unions. Faculty members must not become victims of externally imposed cost controls; they must participate in the development of a workable alternative. Likewise, faculty unions have a role in fostering a vigorous debate and in advocating for meaningful changes.

Endnotes

1 Cheit, 1971.
2 Balderston, 1974; Baldridge and M.L. Tierney, 1979, for example.
4 Chaffee, 1985, 1989; Norris and Pouton, 1987, for example.
5 Hossler, 1984, 1987, for example.
7 Ibid.
8 The anticipated decline in enrollment affected the financial troubles that began in the early 1970s (Balderston, 1974).
10 Hauptman, 1990a & 1990b.
14 Mingle and Associates, 1981; Mortimer and M.L. Tierney, 1979, for example.
15 Slaughter 1993a and 1993b.
16 Gumport, 1993; Slaughter, 1993b.
18 St. John, 1993a.
19 About half of the states reduced their appropriations in that year. See Hines, 1993.
20 These documents are included in the bibliography.
21 The names of interviewees are not mentioned in this text.
22 Slaughter, 1993a.
24 Gumport, 1993; Rhoades, 1993; Slaughter, 1993b.
26 Restructuring was overdue, the administrator added. The university had incrementally added too many academic programs.
27 Staff reductions, according to this interviewee, were excessive, but the
committee avoided dealing with the consequences of these cuts.

28 These underlying issues, according to this faculty member, included a proliferation of administrative positions. Proliferation had occurred in the offices of the deans and of enrollment management, this interviewee added, but cuts were not considered for either office.

29 A faculty line is the budgeting of a faculty position. An unfilled position remains a "line" in the budget and can be moved from one academic unit to another. This process influenced the redistribution of some positions, and led to the creation and distribution of some "doctoral enhancement" positions.

30 The central committee related the proposal put forward by colleges to university planning priorities. Competition between priorities produced the frustration. "Elite" fields did not always win out over the "middle-class" fields. See Slaughter 1993a.

31 The 1992-1993 budget had not yet been cut, but the state issued a warning in the summer and fall of 1992.

32 Kloehn, 1993a, 1993b, 1993c.

33 An involved administrator involved in this process concurred with the interviewer's characterization of the group as "the President's Cabinet." Other interviewees indicated that the president made the actual strategic decisions, and that faculty members had no direct input, but could lobby through town meetings and other means.

34 The majority of faculty rated the central administration a "ineffective" or "very ineffective" on planning and budgeting issues in a fall 1992 survey. (University of New Orleans, 1993b).


36 Similarly, the strategic planning literature defines this type of planning as the process of choosing goals and strategies (Norris and Poulton, 1987).

37 Gumport, 1993; Slaughter, 1993a, 1993b. There are several possible reasons for this pattern. Slaughter 1993a, 1993b and Gumport, 1993, for example, argue that middle-class programs are vulnerable because these professions lack the power of more elite professions (engineering and law, for example). In contrast, Winston 1994 argues that major programs that emphasize teaching are more vulnerable to cuts because they lack faculty "stars."

38 The new food service jobs paid less than the eliminated jobs. Food service employees who tried to stay at the university therefore usually received lower wages.

39 The staff union, according to an interviewee, voted to keep its negotiated raise, despite a request by university administrators to give it up. The staff union was particularly hard hit, possibly because of this vote. But, the interviewee added, the staff may have already been singled out, since their union was not given the same choice at the start of the process.

40 But faculty union contracts generally do not provide strong protection when financial trouble hits. See Rhoades 1993.

41 Finn, 1987.

42 The erosion of state funds has made compliance with accreditation standards
problematic in many fields. Accreditation reviews at the University of New Orleans became a means for departments to secure more support, including the release of frozen faculty positions.

43 A higher doctoral status meant a higher funding base for the university. Some departments played doctoral politics to leverage the release of positions. Faculty members in departments with frozen positions often saw the release of positions elsewhere as a loss to more powerful departments.

44 Stressful financial conditions hit library acquisitions extremely hard. Reductions in journals and new book acquisitions influenced basic instruction programs. Acquisitions have only recently become a “priority.”

45 Some faculty members in science departments maintain strong political positions because of their grant income and doctoral programs. The start-up costs are primarily for faculty in these departments.

46 A memo from the chancellor to the UNO community (September 15, 1993) announced a “4 percent cut in all university budgets.” But the memo also identified these “program initiatives [as] essential to the University’s Strategic Plan to proceed.” Each identified area received an enhancement allocation of at least $100,000 for 1993-1994, in spite of actual and anticipated cuts. “The net effect of these legislative cuts,” according to the memo, “was approximately $4.2 million appropriation reduction plus $2 million in unreliable appropriations.”

47 Hutchinson, 1993.

48 The report also contained a number of administrative cost reductions, including the elimination of 41 professional administration and 105 support positions (Hutchinson, 1993).

49 This proposal also included eliminating many two-year programs. The combination of moving the programs from Bangor and upgrading them to four-year programs, indicated an interviewed legislator, were reasons why he was promoting a new two-year campus in Bangor.

50 The reconfiguration would “reduce programs, confining activities to the three B.S. Programs, and limiting enrollment.” (Hutchinson, 1993, 10).

51 Slaughter, 1993b. Medical and engineering technologies, art education, communication disorders, applied sociology, for example.

52 Enduring linkages to the external power structure—the relation of economics to the study of business and finance, for example—would appear to make these departments less vulnerable to cuts. Therefore, other forces probably explained their weak position. At the University of Maine-Orono, for example, the Economics Department lacked a doctoral program. Economists in other departments—agricultural economics and business, for example—may have held more power. The possible retirement of an economics faculty member may have focused attention on economics.

53 These findings are consistent with recent critical research. See Gumport, 1993; Slaughter, 1993a, 1993b.

54 This finding is consistent with research on resource allocation decisions. See Chaffee, 1983; St. John, 1992.

St. John, 1994 argued that expenditures per credit hour completed (a short-term productivity measure) and expenditures per degree (a long-term productivity measure) were more appropriate than the more frequently used measure of expenditure per full-time-equivalent student enrolled (a short-term productivity measure).

The University of New Orleans had a degree completion rate of less than 20 percent for entering students (UNO, 1993). The history of budget reductions may have influenced this condition. Similarly, the erosion of academic and other support staff could have contributed to the recruitment problems faced by the University of Maine-Orono.

These successes occurred after this study ended.

The actions of the new president at the University of Maine-Orono seemed headed in this direction in the summer of 1993, but the evidence available for this study does not clarify the subsequent history. Kesseli, 1993b; Kloehn, 1993a.

A new public law mandated a study group to examine productivity measures, such as teaching loads.


Froomkin, 1990, for example.


Slaughter, 1993a.

Works Cited


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