

25 Ways to Reduce the Cost of College

#5: Outsource More Services

Abstract

Colleges and universities are ostensibly in the business of producing and distributing knowledge. Yet huge portions of universities are given over to doing other things: running food and lodging operations, hospitals, recreational centers, building repair and maintenance, high school education (remedial education), entertainment operations (especially intercollegiate sports), information technology services, etc. Many of these operations could be more efficiently provided by specialists in those activities. Many colleges have made some progress in this area, especially in food services, but vastly more can be done.

Colleges should explore contracting out or selling their food and lodging businesses, but also much more, such as IT operations, building maintenance, student health centers, remedial education, and even campus recreational centers. Universities with large hospitals should consider separating the hospital operations from the core university businesses. In some cases, the sale or long-term lease of capital assets is appropriate, particularly dormitories and dining halls. Resources from assets sales can finance capital projects in core academic areas. Done adroitly, colleges can rid themselves of some money-losing auxiliary operations and actually earn revenues from the leasing of campus facilities to private entrepreneurs to operate businesses (e.g., fast food restaurants in student union buildings). Some schools are even outsourcing some instructional services to for-profit companies, partnering with such companies in, for example, offering on-line or remedial education.

Although more controversial radical, the complete separation of highly commercial intercollegiate athletic activities from the university would seem to be appropriate. This is particularly true of schools with big time sports programs that often have budgets approaching and even exceeding \$100 million annually.

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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

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1150 17th Street NW #910
Washington, DC 22036

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

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



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With recent financial difficulties, it is more important than ever for colleges to make the best use of their limited resources. Responsible fiscal management necessitates that colleges decide whether their many functions should be performed internally or outsourced to an external service provider. Private enterprises increasingly outsource a wide variety of functions, but colleges have remained averse to the prospect of outsourcing. Matt Johner described the state of outsourcing as:

“[B]y no means a mainstay in higher education. It is quite the opposite...All other vertical markets have been employing this tool for years.”⁹⁷

Instead, many colleges continue to perform the majority of their functions in-house, passing the cost of unnecessary inefficiencies on to students in the form of higher tuition. A 2001 AACRAO survey indicated that only a third of colleges outsourced a service that was once fulfilled in-house.⁹⁸ Another national survey, conducted by the Mackinac Center for Public Policy, indicated that colleges were outsourcing fewer services in 2001 than they were two years prior, with only 36 percent of institutions responding that they planned to increase their use of outsourcing in the future.⁹⁹ This trend is partly due to a common attitude among some in higher education that was expressed by a labor union official who stated bluntly, “We have a visceral dislike of outsourcing.”¹⁰⁰

Rather than expend vast sums from limited resources in an effort to perform functions in-house for which they do not have any particular expertise, colleges should focus on improving the value of their core functions, for which they do possess a comparative advantage. For higher education, this is most often instructional education and research. Institutions should therefore focus on performing these functions in the most efficient manner possible, and consider outsourcing non-core, but often necessary, functions to an external vendor who specializes in a providing them. When determining which functions to outsource, colleges must make a decision about whether to produce the service or procure it from elsewhere. That decision should include consideration for a number of local issues and utilize a cost-benefit analysis. There are a great number of functions that colleges should consider outsourcing that fit into three general categories: student services, business functions, and educational functions.

⁹⁷Matt Johner, “Aiding Through Outsourcing: Financial Aid Department Turn To Outsourcing Some Operations,” University Business, January 2008.

⁹⁸ M. Braz et. al, “Outsourcing in Higher Education,” American Association of College Registrars and Admission Officers Outsourcing Task Force, 2001.

⁹⁹Joe Agron, “Keeping It Close to Home: A Survey of Education-Related Outsourcing,” Michigan Privatization Report, Spring 2002.

¹⁰⁰ Ellen Hassett et. al, “IT Outsourcing at California State University,” EDUCASE Center for Applied Research, 2002.



The Produce vs. Procure Decision

Colleges are complex institutions that perform a variety of functions and offer a number of services that require resources to provide. This section will not question whether colleges should perform certain functions or provide certain services, but instead will discuss how they should go about doing so. After an institution has decided that it wants or needs a particular function or service, there are two options for how to provide it: in-house or external (outsourced). In other words, an institution must decide whether to provide the service with its own staff and resources, or to procure it from an external vendor who specializes in providing a particular function or service. We will describe both the benefits and the potential costs and limitations of outsourcing, which must be considered when making an outsourcing decision. Cost-benefit analysis should be performed after all pertinent information is addressed.

Benefits of Outsourcing

Outsourcing has become an important aspect of the contemporary business world that is not limited to large corporations. Increasingly, small and medium-sized firms are outsourcing at least some of their functions, primarily in an effort to reduce costs. Aside from reducing costs, outsourcing has the potential to confer a number of other benefits, such as improving efficiency and enhancing organizational flexibility. These are attractive propositions for colleges that have growing bureaucratic workforces and sprawling campuses filled with a plethora of buildings for administrative, classroom, office and recreational use, all of which entail operational and maintenance costs.

Cost Reduction – Labor costs are often one of an organization’s largest expenses, and include not only wages, benefits, and payroll taxes, but also the costs related to hiring, managing, and training employees. By outsourcing some functions, organizations are able to transfer these responsibilities to a firm that is able to provide such services at a lower cost, due to its expertise in providing a particular service and the fact that it likely already has access to a highly trained professional workforce. Organizations are also able to control their capital costs by outsourcing, as it permits them to convert fixed costs into variable ones and free up capital for alternative uses.¹⁰¹ This allows organizations to limit their need for plant, property, and equipment, which also reduces the expenses associated with maintenance and upgrades of such capital assets.

Improve Efficiency – A lack of in-house skills and the desire to improve operating efficiencies were cited as the two most common reasons that colleges outsource in a 2002 survey.¹⁰² Outsourcing allows organizations to operate more efficiently by removing tasks that would absorb valuable resources. It also provides them with access to technology and expertise that

¹⁰¹“The Benefits of Outsourcing for Small Businesses,” [Allbusiness.com](http://www.allbusiness.com/human-resources/workforce-management-hiring/1084-1.html), 27 April 2010, <<http://www.allbusiness.com/human-resources/workforce-management-hiring/1084-1.html>>.

¹⁰² Emillia Kancheva, “Key Considerations for Successful Outsourcing of IT Functions in Higher Education,” [EDUCASE Center for Applied Research](#), 25 June 2002.



they might not otherwise have.¹⁰³ In other words, outsourcing often permits greater efficiencies than managing functions in-house, as firms specializing in a particular function often have a *comparative advantage*¹⁰⁴ in producing it. Specialization allows firms to develop an expertise in a particular function that permits them to operate more efficiently through greater economies of scale and process innovation.

Specialization often also results in enhanced production speed and quality. This creates a greater value proposition by allowing organizations to focus resources on improving the value of their core products and services, rather than spending limited resources on functions that they do not have a comparative advantage in performing. For higher education, “Cost efficiencies may be achieved by focusing on non-academic functions and employing outsourcing,” without having to “threaten academic quality or institutional independence.”¹⁰⁵

Enhance Organizational Flexibility – As noted above, outsourcing permits organizations to free up resources for alternative uses. This provides them with a greater degree of flexibility to adapt to a changing environment more quickly and to meet the demands of their consumers. This permits new initiatives such as programs or policies that relate to an organization’s core functions to be streamlined and implemented at a more rapid pace, rather than being queued at the back of the line because scarce resources are tied up. Outsourcing also gives organizations the flexibility to alter their workforce in response to economic or other environmental changes.

Potential Costs and Limitations

The U.S. has a diverse set of institutions of higher education that serve various missions. As such, there are a number of potential costs and limitations that a college should consider when deciding whether to outsource a particular function or service or to produce it in-house. A 2005 study by the Institute of Higher Education Policy identified six general areas of concern that an institution should consider when making an outsourcing decision.¹⁰⁶ The areas are listed below, along with some related concerns and questions that should be assessed when making an outsourcing decision.

Human Resources – How will the change affect faculty and staff, especially when labor unions and other contract employees are involved?

¹⁰³ Mary Bushman and John Dean, “Outsourcing of non-mission-critical functions: A solution to the rising cost of college attendance,” Lumina Foundation for Education, 2005.

¹⁰⁴ Comparative advantage is an economic term referring to the ability of a party (an individual, firm, government or other organization) to produce a particular good or service at a lower cost or with greater relative efficiency than another party.

¹⁰⁵ Mary Bushman and John Dean, “Outsourcing of non-mission-critical functions: A solution to the rising cost of college attendance,” Lumina Foundation for Education, 2005.

¹⁰⁶ Ronald Phipps and Jami Merisotis, “Is outsourcing part of the solution to the higher education cost dilemma?” Institute for Higher Education Policy, September 2005.



Financial Implications – How do the costs of producing internally compare to that of outsourcing? Both immediate costs and potential long-run savings should be considered, and some assumptions must be made.

Service Quality – Will outsourcing reduce the quality of service provided to the student, and if so, will this reduction in quality result in lower enrollment?

Legal and Ethical Considerations – What are the potential legal, tax, and ethical ramifications? Are there privacy issues that need to be addressed, such as FERPA?¹⁰⁷

Institutional Mission – Is the service being considered for outsourcing essential to fulfilling an institution's educational mission, and would outsourcing it detract from that mission?

Management Control – To be efficient, colleges must be able to adapt to a changing environment. Would outsourcing a service hinder an institution's ability to make critical decisions in the face of a changing environment?

Areas that Can Likely Be Outsourced

There are three general areas in which colleges will find the most opportunities for outsourcing: student services, professional services and educational services.

Student Services

Colleges provide a plethora of student services, such as dining, recreation, housing, and health care, among others. Most often, these services are provided in-house by the institutions themselves. Colleges do not have any particular advantage over the private sector in providing such services, so they should consider outsourcing many of these services.

Food Services – Residential colleges have historically provided students with meals at the infamous campus dining halls and, more recently, in food courts and other dining facilities. Colleges have also historically provided these food services internally. More recently, however, many institutions have begun outsourcing some aspects of food services. In fact, around 61 percent of colleges reported outsourcing some aspect of food service in a 2002 survey.¹⁰⁸ Central Michigan University, for example, consistently lost money on its retail food services prior to contracting with a private provider in 1994. In the following five years, CMU reported savings of approximately \$890,000, along with an improvement in service.¹⁰⁹

¹⁰⁷ FERPA is the Family Educational Rights and Privacy Act which provides specific legal restrictions on the information that colleges collect, such as what can be shared and under what circumstances.

¹⁰⁸ Jean-Marie Angelo, "Is Outsourcing Right for you?" University Business Magazine, 2005.

¹⁰⁹ Gary Wolfram and Anne Kirsten, "Privatized Dorms: Michigan Can Learn From Texas," Michigan Privatization Report: Harry Privatizer and the Goblet of Fiscal Responsibility, Fall 2000.



University of Southern Mississippi CFO Gregg Lassen said that he ascribed to legendary management guru Peter Drucker's business philosophy of focusing on core strengths when deciding to outsource his institution's dining services. Lassen said that, "In a higher ed setting, those [strengths] would be research, instruction, and services...cooking is not on the list." By outsourcing, USM has realized cost savings, an upgrade to its dining facilities, and a professionally trained service staff.¹¹⁰ In addition, USM is now in a position to hold its contractor accountable for the quality and service that it provides through the use of a legally enforceable contract and the option to solicit bids for competition.

Recreation – High-quality recreation facilities have become increasingly common on campus, as the current generation of students has come to expect state-of-the-art recreation facilities that contain modern exercise equipment, climbing walls, Olympic-sized pools, golf courses, and more. Such facilities are expensive to build and maintain, and the costs of doing so are often passed on to students in the form of mandatory fees, regardless of whether they make use of the facilities.

There are several approaches that colleges could take to outsource recreation, depending on each institution's particular circumstances. If a college already has a recreation center, then it could outsource its management to an outside firm. One such firm that has found a niche in this market is Centers, which provides recreational management services to small institutions that have high-tech recreation facilities but don't have adequate resources or expertise to staff and operate them. Centers has a policy of not advertising its name or logo on campus facilities or equipment, in order to allow colleges to maintain their brand and to avoid the stigma of being an outsider. Centers has thus far landed contracts with Cleveland State University, DePaul University, and Jackson State University.¹¹¹

Some colleges may not have a recreation center, but would like to provide students with access to one. For such institutions, building and managing an exercise center is likely not the optimal strategy. Rather, it might be more cost effective to contract with area fitness centers to provide students with memberships at a group rate. This would not only save the college money, but could also benefit the students who gain access to fitness centers at a lower cost. The College of Charleston (CofC) took this approach in partnering with a local athletic club, East Shore Athletic Club (ESAC), instead of building its own facility.¹¹²

Housing – Many colleges have traditionally provided students with housing in dormitories and other institutionally-owned facilities, at least for the first year or two of college. Colleges house approximately 28 percent of students nationwide in institutionally-owned housing. As the cost of operating such facilities and demand for college have grown, some colleges have begun to

¹¹⁰ Jean-Marie Angelo, "Is Outsourcing Right for you?" University Business Magazine, 2005.

¹¹¹ Brian Davidson, "Fitness management firm finds a niche on campuses," Fitness Business News, 27 April 2007.

¹¹² Campus Life, "Sports and Recreation," College of Charleston, February 2010, <<http://www.cofc.edu/campuslife/sportsandrecreation/index.php>>.



outsource portions of their housing needs to the private market. Around 10 percent of universities outsourced some of their housing to private firms in 2006.¹¹³

The University of Texas system began outsourcing some of its campus housing needs in 1989, when UT Dallas contracted with a private firm to construct and manage Waterview Park Apartments, which contains around 1,000 units and houses about 3,000 students. One senior UTD official estimated that the arrangement saved the institution at least \$500,000 a year, and the model was emulated at other UT campuses. According to this official, the school has two types of management agreements with its privatized housing system. Under the first, the “university receives a commission based on gross revenues from those units built, owned, and operated on campus by a private developer.” Under the second type, “the university receives from the units it owns all income minus a flat percentage fee, which is paid to the private developer that manages the units and pays the operating expenses.” The two main advantages conferred to the institution are to ability to offer off-campus student housing without making a capital investment, and the opportunity to avoid the operational expenses associated with managing a housing operation.¹¹⁴

Healthcare Services – Most residential colleges provide students with healthcare services, often with a campus facility dedicated to providing counseling, examinations, vaccinations, and other medical treatments. As the American public is well aware, the costs of providing healthcare continue to rise. Although students require access to healthcare facilities and colleges must often comply with public health requirements, it is questionable whether colleges should be in the business of managing such facilities and performing medical services, with the possible exception being universities that run a hospital or other medical training facilities. For most colleges, however, it would be much more cost effective, and likely create higher quality care, to outsource healthcare services to a private organization with expertise in the field.

In an effort to reduce the costs and improve the accuracy of compliance with a meningitis vaccination law in New York, Columbia University hired FairChoice Systems to move its paper-based management compliance system online. Columbia not only reported higher compliance rates with the electronic system, but also realized a 25 to 30 percent reduction in staff time devoted to compliance with the law. The Polytechnic Institute of NYU also hired FairChoice to automate its vaccination compliance efforts, and was able to reduce its processing cost from \$26 to \$1 per vaccination. It also saw a significant reduction in the delay time and resources required for processing.¹¹⁵

¹¹³ Dave Serchuk, “The New Business of College: Hamburger University,” Forbes, 14 September 2006.

¹¹⁴ Gary Wolfram and Anne Kirsten, “Privatized Dorms: Michigan Can Learn From Texas,” Michigan Privatization Report: Harry Privatizer and the Goblet of Fiscal Responsibility, Fall 2000.

¹¹⁵ “Columbia University Licenses Student Health Information Solution to FairChoice Systems,” FairChoice Systems, 26 February 2010, 25 May 2010, <www.fairchoicesystems.com/cuandfs.php>.



Professional Services

Colleges are often complex institutions that require professional services such as accounting and financial management, information technology, and maintenance in order to operate. Albino Barrera of Providence College suggested that many professional “services that used to be non-tradable (back-office operations, call centers, data management, and accounting sectors) have now been made fully tradable because of advances in communications and computational technologies. Location is increasingly insignificant in the provision of these services.”¹¹⁶ With a growing number of private firms dedicated to providing expert services for hire, colleges stand to benefit by outsourcing professional services.

Information Technology – Colleges have become increasingly information-based and electronically organized, and, therefore, IT has become an important function. In the past some universities were capable of developing and maintaining an IT-based infrastructure, but as technology has evolved at a rapid pace and become increasingly integrated into the higher education landscape, universities are no longer able to provide IT-related services at a level of quality and efficiency comparable to private specialized IT firms. Information technology is an area that is commonly outsourced in the private sector because it is more cost-effective and efficient to hire specialists when needed rather than keep them on staff permanently. Yet there remains a certain amount of resistance in higher education to outsourcing IT services to private firms. EDUCAUSE estimated that outsourcing comprised about 6 percent of total higher education IT spending in 2002, a proportion that was about two thirds of that in the commercial market and one third of that of the U.S. federal government.¹¹⁷

The private sector has realized the biggest gains in outsourcing help desk, desktop support, data center operations, and website functions.¹¹⁸ Most of these functions can be described as transaction processes, for which Bill Bradfield suggested that colleges outsource, stating that “accountability structures in higher education don’t motivate them to do transaction processing services very well....functions that require ‘productivity driven operations’ are best left to folks who specialize in them.”¹¹⁹ Other IT functions that higher education institutions have started to outsource include asset management, disaster recovery, security, and vulnerability detection.¹²⁰

Financial Services – Colleges are large institutions that require accounting and financial services such as accounts payable and receivable, audit and compliance support, endowment auditing,

¹¹⁶ Albino Barrera, “Who Benefits from Outsourcing?” The Christian Century, 21 September 2004.

¹¹⁷ “Higher Education IT Outsourcing: Future Trends and Market Forecast,” EDUCAUSE Center for Applied Research, 2002.

¹¹⁸ “IT Outsourcing Statistics: 2009/2010,” Computer Economics, 2010, 5.

¹¹⁹ Keith Hampson, “Bill Bradfield on Outsourcing in Higher Education,” Higher Education Management Group, 29 August 2008.

¹²⁰ Mary Bushman and John Dean, “Outsourcing of non-mission-critical functions: A solution to the rising cost of college attendance,” Lumina Foundation for Education, 2005.



financial management, and payroll and tax reporting, among others.¹²¹ Although the outsourcing of similar financial services is common practice in the private sector, especially among small to medium-sized firms, higher education has been more reluctant to transfer responsibility for many back-office functions from campus employees to specialized private firms. For instance, a 2001 survey indicated that only 10.8 percent of colleges outsourced payroll processing.¹²²

The private market now offers financial aid processing and customer support for outsourcing. In 2008, Matt Johner estimated that only about 100 colleges and universities have thus far made use of financial aid outsourcing services. The University of Mississippi, for instance, outsourced its financial aid customer service to an inbound call center in 2004, reducing its financial aid office call volume by 90 percent, and freeing up staff to focus on more strategic work and on-site counseling.¹²³

Custodial and Maintenance Services – Most colleges are brick-and-mortar operations, consisting of a (sometimes) large number of facilities that require custodial and maintenance work. Because most colleges own rather than lease their facilities, this places the burden of cleaning and maintaining the facilities on these colleges. This does not, however, necessitate that colleges themselves employ persons to perform these tasks in-house, yet colleges have historically done just that. This policy often leads to costs much greater than could have been delivered in the private sector. Table 5.1 shows the percentage of colleges that outsourced various custodial and maintenance services in 2001, according to a national survey by the Mackinac Center for Public Policy.

With the exception of custodial food services, the great majority of colleges performed basic cleaning and maintenance services in-house rather than hiring a private contractor to do so. Colleges do not have any particular strength in performing such services, yet they do so in-house, in many cases employing unionized labor that costs significantly more than work performed by similarly skilled, non-union workers. The fact that many custodial and maintenance workers are unionized makes it difficult to outsource such services.

Recently, the unionized custodians and groundskeepers at Boston College were generating significant overtime pay at wages up to \$40 per hour, creating a financial burden for the institution. Rather than engage in a heated battle with the union by trying to outsource the work completely, BC sought somewhat of a compromise by trying to outsource only its overtime work to a third party whose employees also belong to a union. This would have enabled the school to reduce its expenses and become more flexible, while at the same time

¹²¹ Mary Bushman and John Dean, "Outsourcing of non-mission-critical functions: A solution to the rising cost of college attendance," Lumina Foundation for Education, 2005.

¹²² Joe Agron, "Keeping It Close To Home: A Survey of Education-Related Outsourcing," Michigan Privatization Report, Spring 2002.

¹²³ Matt Johner, "Aiding Through Outsourcing: Financial aid department turn to outsourcing for some operations," University Business, January 2008.



not have to lay off any current employees. At the time of this writing, it is not known whether BC was successful in persuading the union to agree to the new terms or not.¹²⁴

Table 5.1: Percentage of Colleges Using Privatized Services, 2001¹²⁵

Type of Service	Percentage
Food Service - Custodial	74.6%
Academic Buildings - Custodial	26.3%
Academic Buildings - Maintenance	9.2%
Facility Management	9.2%
Grounds Maintenance	18.1%
HVAC Maintenance	18.1%
Instructional-Equipment Upkeep	2.5%
Laundry	20.6%
Office-Equipment Upkeep	9.8%
Printing	19.4%
Residential Buildings - Custodial	18.7%
Residential Buildings - Maintenance	8.3%

SOURCE: MACKINAC CENTER FOR PUBLIC POLICY, 2002

Educational Services

Educational services, such as grading and instruction, are increasingly available from the private market for use by institutions of higher education. Many within the academe believe that allowing teaching and/or grading to be performed by someone outside of a school runs counter to the purpose of a university, but this may not necessarily be the case. Many colleges have long reassigned much of their teaching and grading duties from the faculty to adjunct instructors and graduate students, as well as forming partnerships with other schools to provide distance education opportunities. This is not much different from outsourcing such services to an organization specializing in such services and likely would be compliant with a university’s purpose if these periphery programs could provide a similar (or better) level of educational quality, and do so in a more efficient manner. Three educational services in particular should be considered for potential outsourcing: grading, distance education, and teaching remedial education.

Grading – As class sizes have grown and faculty have become increasingly pressured to conduct research, the burden of grading has resulted in some less than desirable outcomes that include

¹²⁴ Tracy Jan, “Outsourcing push roils BC,” *The Boston Globe*, 13 January 2010.

¹²⁵ Joe Agron, “Keeping It Close To Home: A Survey of Education-Related Outsourcing,” *Michigan Privatization Report*, Spring 2002.



an increase in automatically graded multiple-choice exams, a decline in written and problem-solving assignments, and a reduction in the quality and timeliness of feedback on coursework. Some critics contend that these changes have undermined the quality of the education provided. One solution that could reverse this trend is to outsource grading, and some institutions have begun to experiment with this concept. Although grade outsourcing is highly controversial, Terri Friel, dean of Roosevelt University's business school, points out that "Faculty have this opinion that grading is their job, ... but then they'll turn right around and give papers to graduate teaching assistants."¹²⁶

In 2005, the Kentucky Community College system was faced with enrollment that was growing faster than it could expand its capacity, so it turned to a company called Smarthinking to read and evaluate student essays for its high-enrollment freshman composition courses. Smarthinking's short turnaround time (usually 24 hours) allows instructors to spend their time working with students, while allowing the students to receive quality feedback in a timely manner. KCC instructors retain control over the grades, as Smarthinking's grades are not final until approved by the instructors, who can always review and change evaluations from the professional graders.¹²⁷

More recently, West Hills Community College enlisted the help of the private firm, Virtual-TA, to offer its online students the opportunity to get more feedback on grammar, organization, and other writing issues than is typically available from the regular instructor.¹²⁸ WHCC allows its instructors to make use of the service for up to three assignments of their choice, at a typical per-student cost of around \$12 per assignment. WHCC indicates that it has experienced a boon in retention rates since implementing Virtual-TA, as students are able to receive higher quality and more timely feedback on their work. Susan Whitener, the associate vice chancellor for educational planning at WHCC, described the experience in partnering with Virtual-TA as follows: "We definitely have a cost-benefit ratio that's completely in our favor for us to do this."¹²⁹

Distance Education – As demand from non-traditional students continues to grow, combined with the information technology age that permits students to work and study from almost anywhere in the world, colleges are scrambling to offer distance education opportunities in an effort to get a piece of the action. Most colleges do not have the expertise or resources to develop and operate high quality, cost-effective distance education programs, but partnering with a private firm or even another college is a viable option.

¹²⁶ Audrey Williams, "Some papers Are Uploaded to Bangalore to be Graded," The Chronicle of Higher Education, 4 April 2010.

¹²⁷ Scott Jaschik, "Outsourced Grading," Inside Higher Education, September 2005.

¹²⁸ At time of writing, this service was only available to online courses in sociology, criminal justice and basic math.

¹²⁹ Audrey Williams, "Some papers Are Uploaded to Bangalore to be Graded," The Chronicle of Higher Education, 4 April 2010.



This is the route that Delaware State University took in partnering with a private company, Sessions.edu, to develop a new Masters Degree program in Graphic Arts and Web Design. Under the partnership, DSU officials would have complete control over how much influence Sessions faculty would play. In exchange for a fee, Sessions provided the infrastructure needed for the online courses and is available to both teach and plan if DSU desires. This sort of arrangement is beneficial for colleges, as it enables them to open their doors to new students, tap into the knowledge of an outside organization, and still retain control of who teaches the courses. DSU will even be able to charge whatever they wish and keep any excess revenues.¹³⁰

Remedial Education – College students increasingly arrive on campus lacking adequate preparation to undertake college-level course work. English and math are particularly troublesome areas. The problem is most prevalent at the community college level, where nearly 60 percent of students took at least one remedial course in 2009.¹³¹ The need to provide developmental education has resulted in colleges offering a greater number of remedial courses than in the past, increasing the schools’ cost of providing such instruction, the cost to students (as they need additional time to graduate), and the costs to taxpayers.

The University of Arizona recognized this growing trend a few years ago, and decided not to offer remedial education in math. “The reason why we don’t offer developmental math ourselves is we can’t afford it,” described one official, who suggested that developmental education is not part of the university’s research mission. Instead, UA partnered with the local Pima Community College to conduct remedial courses using UA classrooms. This enabled students to avoid shuttling between campuses for their remedial coursework. It also benefited Pima, which realized a significant increase in the number of tuition-paying students. This sort of inter-institutional partnership is growing in popularity and is “more widespread than people realize,” according to Michael Kirst of Stanford University.¹³²

Conclusion

The primary mission of a college is to produce and disseminate knowledge. Unfortunately, our institutions of higher education are involved in a number of non education-related services. Using in-house staff to perform a number of professional, student, and even educational services can be unnecessarily expensive, inefficient, and serve to drive up the cost of college without increasing the quality of education. Colleges can counteract these trends by outsourcing more services and functions. When making an outsourcing decision, colleges must also evaluate the potential costs and limitations, including the effect that the decision would have on various stakeholder groups and the university’s mission. Once all of the relevant information has been assessed, colleges can then use cost-benefit analysis to determine whether a particular service should be outsourced. In many situations, the use of

¹³⁰ Scott Jaschik, “Outsourcing the Faculty,” Inside Higher Education, May 2005.

¹³¹ Jennifer Gonzalez, “Lessons Learned: Using Data to Help Students Pass Remedial Courses,” The Chronicle of Higher Education, 18 April 2010.

¹³² Elizabeth Redden, “Outsourcing Remedial Ed,” Inside Higher Education, December 2007.



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outsourcing can allow a “college or university to focus on its primary mission, not on managing an auxiliary service that may compete with private-sector alternatives and not provide a real return for institutional dollars.”¹³³

¹³³ Richard Bartem and Sherry Manning, “Outsourcing in Higher Education: A Business Officer and Business Partner Discuss a Controversial Management Strategy,” *Change*, Jan-Feb 2001, 42-47.

