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## Administrative Bloat at American Universities: The Real Reason for High Costs in Higher Education

By Jay P. Greene, Senior Fellow, Goldwater Institute and head of the Department of Education Reform at the University of Arkansas; Brian Kisida, research associate, Department of Education Reform at the University of Arkansas; Jonathan Mills, research associate, Department of Education Reform at the University of Arkansas

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### EXECUTIVE SUMMARY

Enrollment at America's leading universities has been increasing dramatically, rising nearly 15 percent between 1993 and 2007. But unlike almost every other growing industry, higher education has not become more efficient. Instead, universities now have more administrative employees and spend more on administration to educate each student. In short, universities are suffering from "administrative bloat," expanding the resources devoted to administration significantly faster than spending on instruction, research and service.

Between 1993 and 2007, the number of full-time administrators per 100 students at America's leading universities grew by 39 percent, while the number of employees engaged in teaching, research or service only grew by 18 percent. Inflation-adjusted spending on administration per student increased by 61 percent during the same period, while instructional spending per student rose 39 percent. Arizona State University, for example, increased the number of administrators per 100 students by 94 percent during this period while actually reducing the number of employees engaged in instruction, research and service by 2 percent. Nearly half of all full-time employees at Arizona State University are administrators.

A significant reason for the administrative bloat is that students pay only a small portion of administrative costs. The lion's share of university resources comes from the federal and state governments, as well as private gifts and fees for non-educational services. The large and increasing rate of government subsidy for higher education facilitates administrative bloat by insulating students from the costs. Reducing government subsidies would do much to make universities more efficient.

We base our conclusions on data from the Integrated Postsecondary Education Data System (IPEDS), which is sponsored by the U.S. Department of Education. Higher education institutions report basic information about enrollment, employment and spending in various categories to IPEDS, which then makes this systematically collected information publicly available. In this report, we focus on the 198 leading universities in the United States. They are the ones in IPEDS identified as four year colleges that also grant doctorates and engage in a high or very high level of research. This set includes all state flagship public universities as well as elite private institutions.

**GOLDWATER**  
I N S T I T U T E

## ***Administrative Bloat at American Universities: The Real Reason for High Costs in Higher Education***

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### **Introduction**

*In U.S. higher education, there have actually been diseconomies of scale. Universities employ more people and spend more money to educate each student even as those universities increase their enrollment. Instead of being marked by productivity increases, academia suffers from bloat, particularly administrative bloat.*

Most organizations achieve economies of scale over time. As the enterprise serves more customers or produces more goods, it becomes more efficient, requiring fewer people and less money for each customer served or good produced. Achieving larger scale, often with the assistance of technology, has been central to productivity increases and improvements in human welfare for centuries.

However, the exact opposite is happening in American universities. In U.S. higher education, there have actually been *diseconomies* of scale. Universities employ more people and spend more money to educate each student even as those universities increase their enrollment. Instead of being marked by productivity increases, academia suffers from bloat, particularly administrative bloat. It now takes more employees - especially more administrators - in higher education despite innovations in technology and increases in scale.

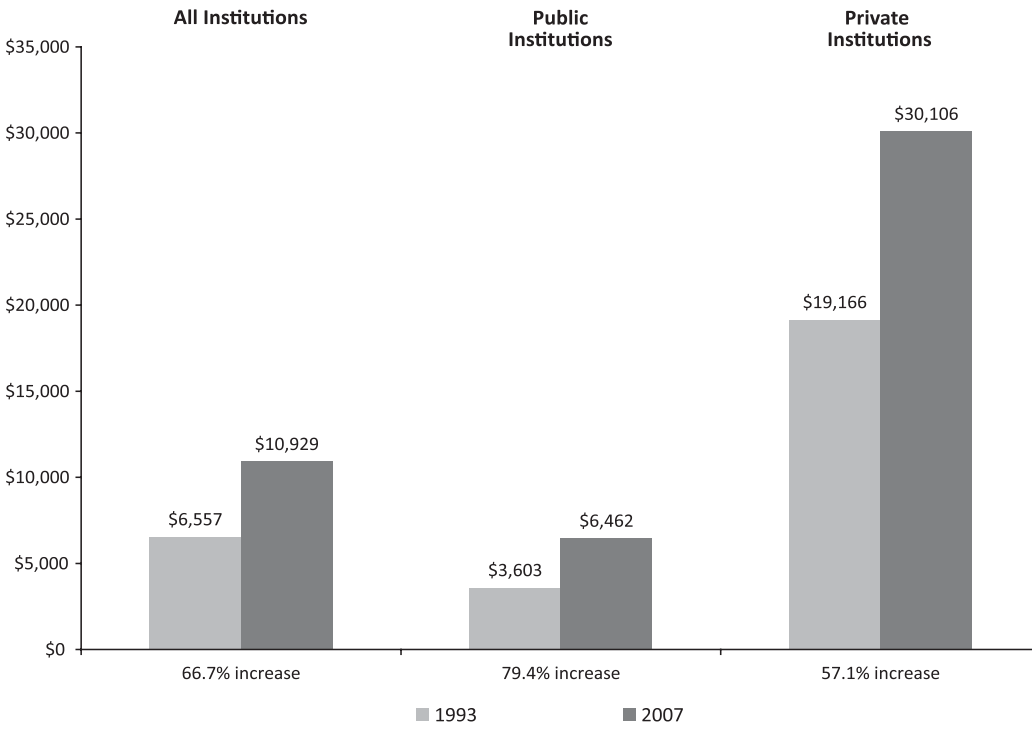
Competitive markets are a central cause of greater efficiency through technological innovations and economies of scale. But because universities

derive most of their money from gifts, government subsidies and fees for non-educational services - as opposed to student-paid tuition - the amount of competition among universities is muted and distorted. The fact that higher education has high barriers to entry and competes on decades (or centuries) of accumulated status rather than price gives universities little incentive to economize.

The cost of higher education has been rising at a remarkable pace over the last several decades. Between 1993 and 2007, inflation-adjusted tuition has increased by 66.7 percent at the nation's 198 leading public and private universities (see Figure 1). During the same period, the number of students enrolled in these leading institutions has increased by 14.5 percent, from 3.64 million to 4.17 million (see Figure 2).

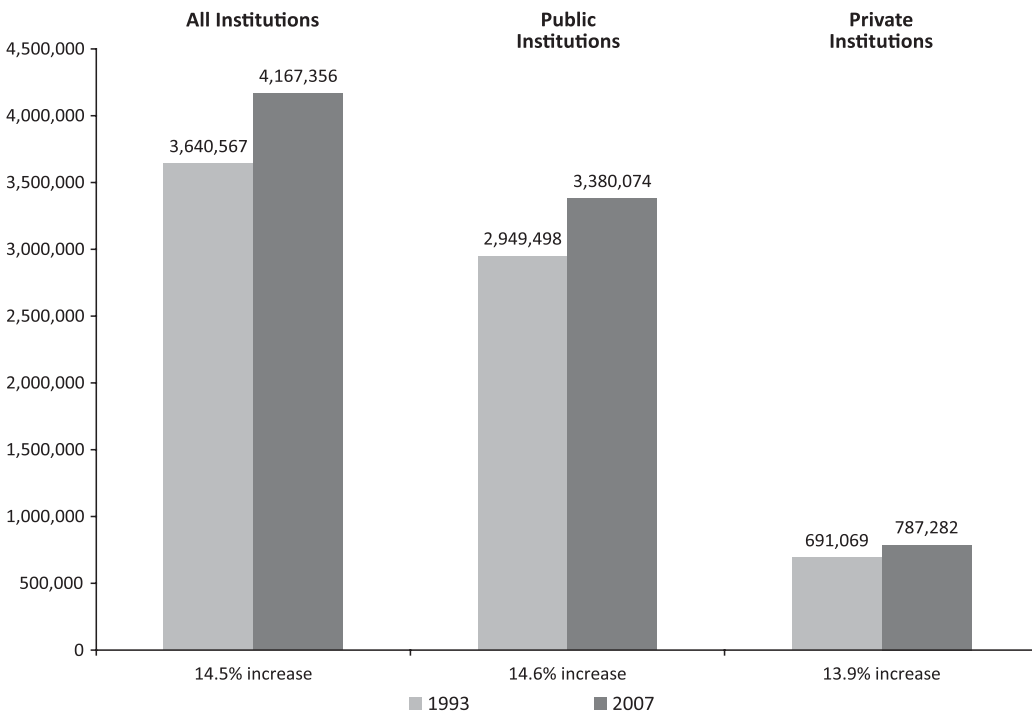
Despite this significant increase in scale, with more students and more resources, higher education has become significantly less efficient. It takes more employees and more dollars to educate each student even as these leading universities grow larger.<sup>1</sup>

**Figure 1: In-State Undergraduate Tuition and Fees, 1993 and 2007**



Note: 1993 values have been converted to 2007 dollars.

**Figure 2: Student Enrollment, 1993 and 2007**



*It appears that increased governmental subsidies are not causing a reduction in cost to students, since inflation-adjusted tuition has increased by 66.7 percent. Nor are government subsidies primarily leading to an improvement in instructional quality, since instructional employment and spending increases have trailed administrative increases. The net effect of growing government subsidies has been to facilitate administrative bloat in higher education.*

The increase in university employment and spending per student is especially severe in administrative categories. That is, universities are not using their greater size and resources primarily to increase instructional employment or expenditures, which could be interpreted as an improvement in quality rather than a decline in efficiency. Instead, most leading universities are increasing their administrative employment and expenditures much faster than instructional employment or expenditures.

Unfortunately, it appears that increased governmental subsidies are not causing a reduction in cost to students, since inflation-adjusted tuition has increased by 66.7 percent. Nor are government subsidies primarily leading to an improvement in instructional quality, since instructional employment and spending increases have trailed administrative increases. The net effect of growing government subsidies has been to facilitate administrative bloat in higher education.

We base our conclusions on data drawn from the Integrated Postsecondary Education Data System (IPEDS), which is sponsored by the U.S. Department of Education. Higher education institutions report basic information about enrollment, employment and spending in various categories to IPEDS, which then makes this systematically collected information publicly available. Our focus is on the 198 leading universities in

the United States. These universities are identified in IPEDS as four-year colleges that also grant doctorates and engage in a high or very high level of research. This set includes all state flagship public universities as well as elite private institutions.

The “Administration” column in the following employment figures consists of the IPEDS categories of “Administration/Executive” and “Other Professionals,” defined by IPEDS as “persons employed for the primary purpose of performing academic support, student service, and institutional support.... Included in this category are all employees holding titles such as business operations specialists; buyers and purchasing agents; human resources, training, and labor relations specialists; management analysts; meeting and convention planners; miscellaneous business operations specialists; financial specialists; accountants and auditors; budget analysts; financial analysts and advisors; financial examiners; loan counselors and officers; [etc.].” Under any reasonable definition, these employees are engaged in administrative functions but clearly they are not directly engaged in teaching, research or service.

In this report, we have done little more than download, organize and highlight information that is readily available from a Department of Education data set. But our minimal processing of the data has its virtues. The credibility and accuracy of our findings do not rely upon us or any opaque statistical analysis. Readers only

need trust information reported to the Department of Education by universities themselves to believe our results. For additional information on our data and analyses, as well as recommended research, please see Appendix A.

All tables referenced throughout this report can be found online at [www.goldwaterinstitute.org](http://www.goldwaterinstitute.org).

## Results

### Employment

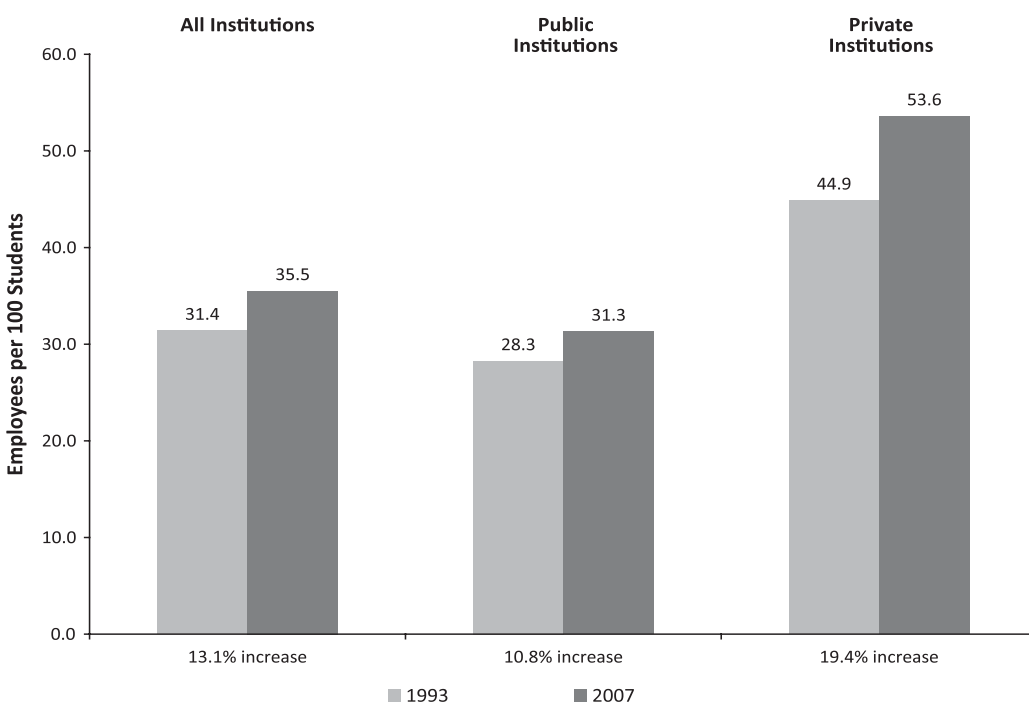
Universities have significantly increased their employment, adjusted for the increase in student enrollment,

between 1993 and 2007 (see Figure 3 and Table A1). In 1993, these leading universities had a total of 31.4 employees per 100 students (22.4 full-time employees and 9.0 part-time employees). By 2007, there were a total of 35.5 employees for every 100 students (24.3 full-time and 11.2 part-time). In 2007, it took 13.1 percent more employees to educate the same number of students than it did in 1993 (8.2 percent more full-time and 25.1 percent more part-time).

The rate of increase in the number of total university employees per student has been much higher among private universities. In 2007, private universities had 53.6 total employees for every 100

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**Figure 3: University Employees per 100 Students, 1993 and 2007**



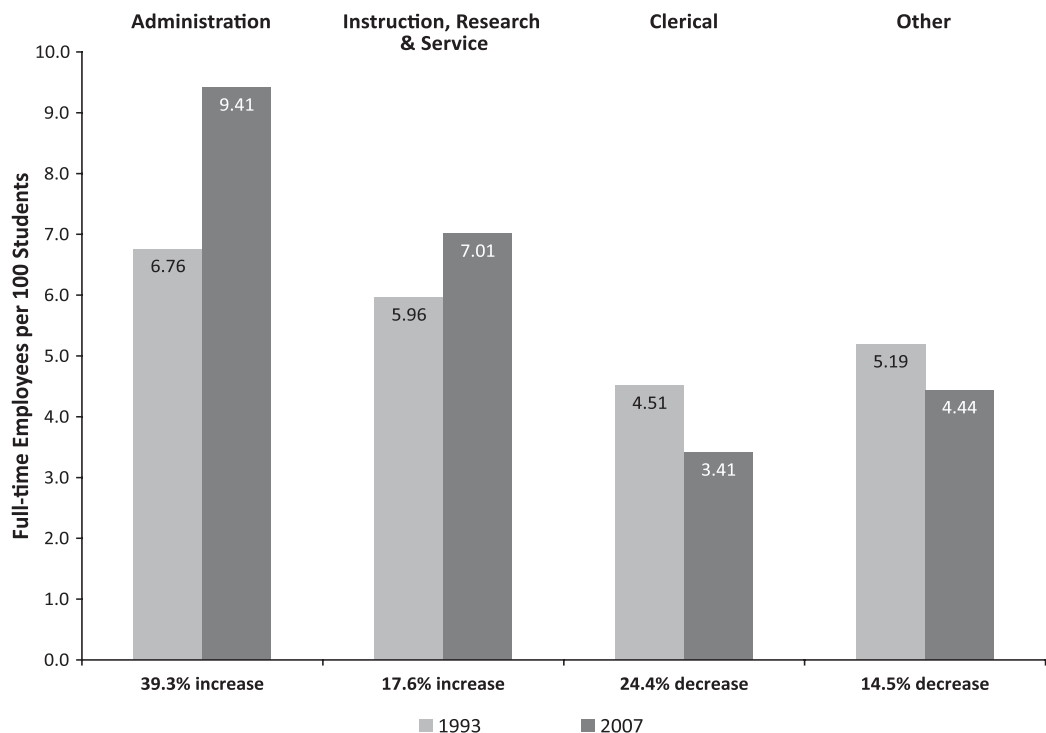
students, fewer than two students per employee. That was an increase of 19.4 percent from the 44.9 total employees per 100 students reported by private universities in 1993. The number of full-time employees per 100 students at private universities grew from 35.1 to 40.4, an increase of 14.9 percent.

*Universities actually have more full-time employees devoted to administration than to instruction, research and service combined. In 1993, these leading universities were flush with administrators, employing 6.8 full-time administrators for every 100 students compared with 6 full-time employees engaged in instruction, research or service. By 2007, there were 9.4 full-time administrators per 100 students compared with 7 full-time instructors, researchers and service providers.*

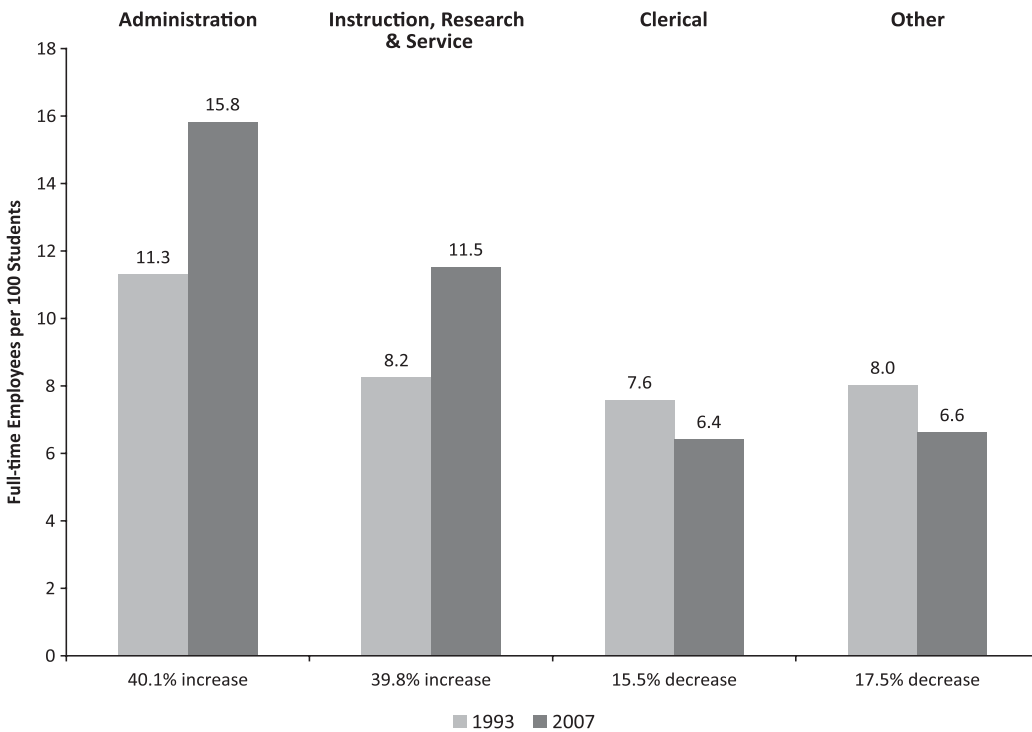
While the increase of total employees relative to students at public institutions has not been as great, they still experienced a 10.8 percent increase between 1993 and 2007. At public universities, there was a much smaller increase in full-time employees of 5.5 percent, from 19.4 to 20.5 full-time employees per 100 students between 1993 and 2007.

It is more illuminating to look at full-time employment broken out by category (see Figure 4 and Table A1). Notably, universities actually have more full-time employees devoted to administration than to instruction, research and service combined. Even in 1993, these leading universities were flush with administrators, employing 6.8 full-time administrators for every 100 students compared with 6.0 full-time employees engaged in instruction, research or service. By 2007, the preponderance of administrators relative to educators grew even larger at these leading universities, as there were 9.4 full-time administrators per 100 students compared with 7.0 full-time instructors, researchers and service

**Figure 4: University Employees per 100 Students by Type, 1993 and 2007**



**Figure 5: Private University Employees per 100 Students by Type, 1993 and 2007**



*Leading public universities were also already administrative-heavy in 1993, but the rate of growth in administrative employment was even higher than the growth in educators, leaving these institutions even more administrator-heavy in 2007. It now takes 39 percent more full-time administrators to manage the same number of students than it did in 1993.*

providers. In terms of growth, the number of full-time administrators per 100 students at America’s leading universities increased by 39.3 percent between 1993 and 2007, while the number of employees engaged in teaching, research or service only increased by 17.6 percent.

At private institutions in 1993, there were 11.3 full-time administrators for every 100 students compared with 8.2 full-time employees engaged in teaching, research or service. At these same institutions in 2007, there were 15.8 full-time administrators for every 100 students compared with 11.5 full-time instructors, researchers and service providers (see Figure 5 and Table A1). Put another way, today there are about

six students at private universities for every full-time administrator.

In terms of growth, private universities increased their full-time staff involved in instruction, research and service by almost the same rate as they increased administration, a 39.8 percent increase compared with a 40.1 percent increase.

Leading public universities were also already administrative-heavy in 1993, but the rate of growth in administrative employment was even higher than the growth in educators, leaving these institutions even more administrator-heavy in 2007 (see Figure 6 and Table A1). Full-time employment in the instructional, research and service

*Universities are also showing some signs of economizing by greatly increasing their employment of part-time instructors, which include graduate assistants and adjuncts. The significant shift toward part-time instructors undermines claims that increased employment in this category is a sign of these institutions striving to increase quality with their increases in employment.*

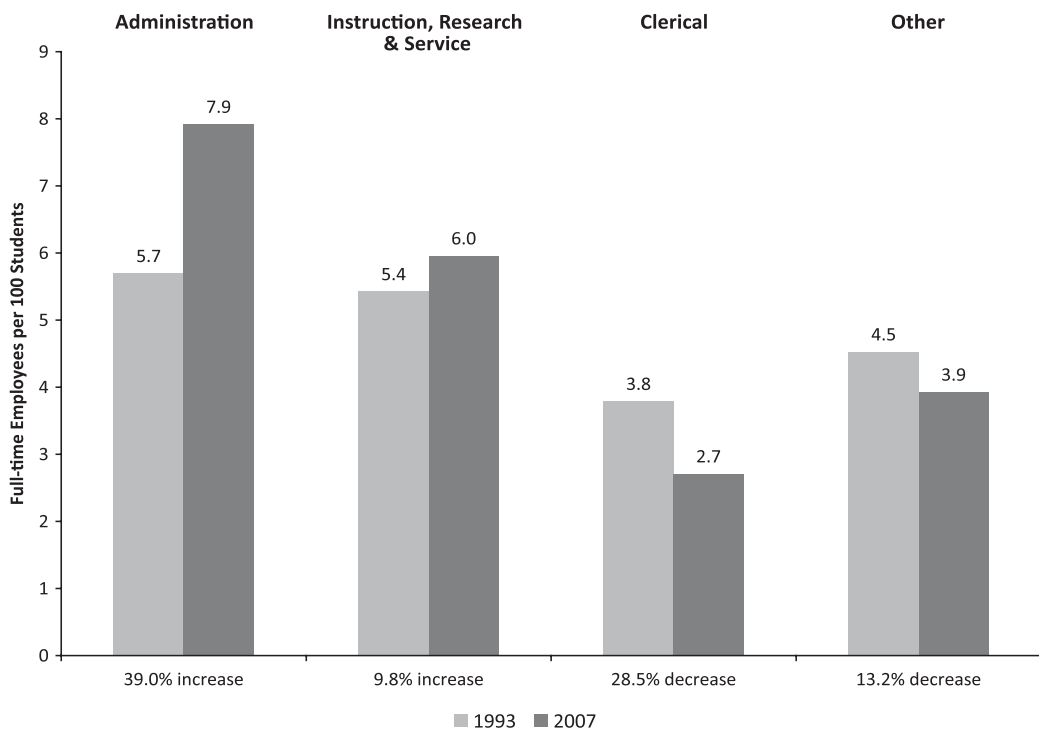
category grew by 9.8 percent between 1993 and 2007, but the number of full-time administrators grew at nearly four times that rate - 39.0 percent. It now takes 39.0 percent more full-time administrators to manage the same number of students than it did in 1993. Put another way, there are now fewer than 13 students for every full-time administrator at public institutions. Apparently, public universities are trying to keep up with private institutions in administrative bloat even if they cannot compete in the areas of teaching, research and service.

Universities are showing some signs of economizing, given the reductions in

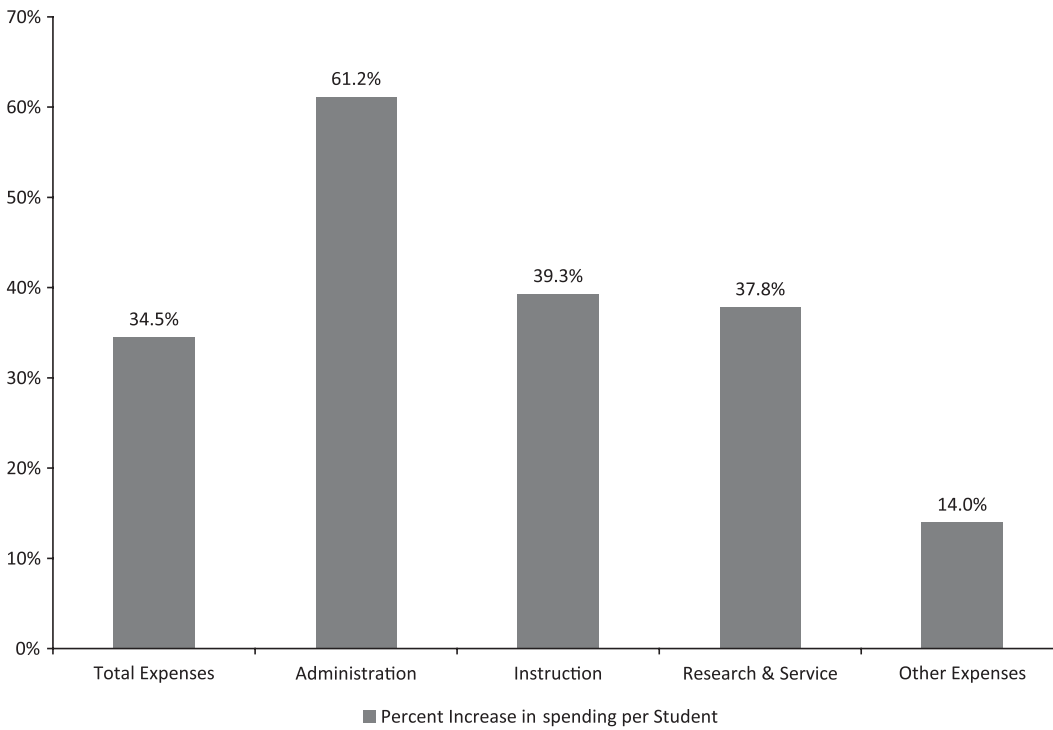
the number of clerical and other basic support employees between 1993 and 2007. But the declines in these basic support categories are nowhere near as large as the increase in administrative employment. Universities are reducing the number of low-paid secretaries and maintenance workers while adding an even larger number of higher-paid administrators.

Universities are also showing some signs of economizing by greatly increasing their employment of part-time instructors, which include graduate assistants and adjuncts. At private universities, we see an 82.7 percent increase in part-time instructors

**Figure 6: Public University Employees per 100 Students by Type, 1993 and 2007**





**Figure 7: Percentage Increase in spending per Student by Category, from 1993 to 2007**

*Broken out by category, there has been a 39.3 percent increase in expenditures per student for instruction, a 37.8 percent increase for expenditures in research and service, and a 14 percent increase in other spending. While these increases are large, they pale in comparison to the whopping 61.2 percent increase in expenditures per student for administration that has occurred between 1993 and 2007.*

between 1993 and 2007, while at public institutions the increase was 31.5 percent. But even in light of this increasing reliance on part-time instructors, there was still a 17.6 percent increase in full-time employees per student engaged in instruction, research and service. In addition, the significant shift toward part-time instructors undermines claims that increased employment in this category is a sign of these institutions striving to increase quality with their increases in employment.

### Spending

While economizing is occurring with the employment of secretaries,

maintenance workers, and graduate students, the spending data still show a large increase in total expenditures per student, especially in the administrative category. Total spending per student (adjusted for inflation) rose 34.5 percent between 1993 and 2007 (see Figure 7 and Table A2). Broken out by category, there has been a 39.3 percent increase in expenditures per student for instruction, a 37.8 percent increase for expenditures in research and service, and a 14 percent increase in other spending. While these increases are large, they pale in comparison to the whopping 61.2 percent increase in expenditures per student for administration that has occurred between 1993 and 2007.

The most striking point here is that university spending per student is increasing in real terms, most rapidly in the area of administration. It is not clear why it has cost nearly two-thirds more to administer each student over this 15-year period. We know that universities are hiring many more administrators per student and that they must also be paying those administrators higher salaries and providing them with larger operating budgets.

### **Employment Leaders and Laggards**

While administrative bloat is a widespread problem in higher education, some institutions seem to be less afflicted by it. Twenty of the universities we examined actually experienced a decline in the number of administrators per 100 students between 1993 and 2007 (see Table A4). Many of these institutions with declining administration, however, remain very administration-heavy.

For example, the Massachusetts Institute of Technology (MIT) had a 44.7 percent decline in the number of full-time administrators per student between 1993 and 2007. But even after that decline, MIT still has 23.5 full-time administrators for every 100 students, significantly higher than the average 9.4 for all institutions, and even higher than the average of 15.8 for private universities (see Table A5). The decline was only possible because it began in 1993 with the already astronomically high rate of 42.4 administrators for every 100 students.

On the other hand, some universities with declines in administrative employees per student ended with relatively low levels of administrative bloat. For example, Virginia Commonwealth University (VCU) experienced a 75 percent decline in administrative employees per student (see Tables A3 and A4). In 1993, the university had an above-average rate of 12.0 full-time administrators per 100 students, but by 2007 that number had dropped to 3.0 (see Table A5). This decline was achieved in part because VCU increased its enrollment by 45.1 percent between 1993 and 2007, much faster than the average enrollment increase of 14.5 percent. But unlike other institutions, VCU spread its fixed cost of administration over a larger base as it gained more students.

It is striking that among universities with very high rates of growth in full-time administrators, some have had relatively little growth (or even declines) in their full-time instructors, researchers and service providers. For example, the University of California-Davis increased the number of full-time administrators it employed by 318.8 percent between 1993 and 2007. But during that same period, the university actually reduced its full-time instructional, research, and service staff by 4.5 percent (see Tables A3 and A4). Similarly, Jackson State University, Kansas State University, and University of Albany-SUNY (State University of New York) more than doubled their administrative employment per student ratios while reducing their instructional

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staff per student ratios. All of these institutions increased their enrollment and, as a result, increased the direct and indirect government subsidies that higher enrollment provides. They also all significantly increased the tuition they charge their students. And what taxpayers and students received in return was more administrators and fewer teachers - probably not what they had in mind.

Some universities increased the number of employees engaged in instruction, research and service even faster than the number of administrators per 100 students between 1993 and 2007, but these cases were not the norm. For example, the University of Colorado-Denver increased its full-time number of administrators by more than 200 percent, but it increased the number of employees in instruction, research and service by more than 400 percent.

Among the three dozen other schools that increased administrative employment at a slower rate than employment in instruction, research and service were many of the elite private universities, such as Harvard, California Institute of Technology, Rice, Emory, Cornell, Chicago, and Princeton. Some highly respected public universities were also more likely to give priority to increasing instruction over administration, such as the University of Michigan and University of Virginia.

Readers wishing to find information on the increase in employment per 100

students for any particular institution can look in Table A3, which organizes the universities alphabetically. To find the universities with the highest and lowest rate of increase in administrative employment, see Table A4. To see the number of employees in each category for each university in 1993 and 2007, see Table A5.

### Spending Leaders and Laggards

The cost of administration for each student, like the number of administrators per student, has been increasing dramatically. Two dozen of the leading universities we examined more than *doubled* their spending on administration for each student enrolled, adjusted for inflation. For example, at Wake Forest University, administrative spending per student has increased by more than 600 percent in real terms. At Harvard, administrative spending per student has increased more than 300 percent between 1993 and 2007, adjusted for inflation (see Tables A6 and A7).

At all but one of these 24 universities that have more than doubled their administrative spending per student, the increase in instructional spending has lagged far behind. And, with the exception of the University of Alabama at Birmingham, all of these universities are private institutions.

There are only 13 universities that have actually reduced administrative spending per student in real dollars

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*If there are any universities realizing economies of scale to reduce their costs per student as their enrollments grow, there is no sign of it among these leading universities. In 2007, these universities were spending an average of \$41,337 per student while charging an average tuition for in-state undergraduate students of \$10,929. The difference between spending and tuition per student is obtained from some combination of gifts, direct government subsidies, and fees for services provided.*

between 1993 and 2007. The rate of decrease, however, is small compared with the rate of increase at the two dozen institutions that more than doubled administrative spending. In addition, 6 of the 13 universities with a decline in real administrative spending per student also reduced real instructional spending per student.

It is possible that these universities were simply suffering financial difficulties that limited spending across the board. But financial distress is clearly not the norm. As mentioned earlier, total spending per student at the universities we examined has increased by 34.5 percent. Spending increased by 61.2 percent on administration per student, adjusted for inflation, compared with 39.3 percent for instruction, and 37.8 percent for research and service. At the vast majority of leading universities, spending per student in almost every reported category increased in real terms between 1993 and 2007.

If there are any universities realizing economies of scale to reduce their costs per student as their enrollments grow, there is no sign of it among these leading universities. As of 2007, these universities were spending an average of \$41,337 per student (see Table A8) while charging an average tuition for in-state undergraduate students of \$10,929. The difference between spending and tuition per student is obtained from some combination of gifts, direct government subsidies, and fees for services provided.

At only one institution in 2007, the University of North Texas, did the university spend less than \$10,000 per student. At the extreme other end of the spectrum, Wake Forest, Yale, MIT, Harvard, and Dartmouth spend more solely on administration per student than the average university spends on everything per student. The nearly \$75,000 at Wake Forest and the nearly \$60,000 at Yale per student spent on administration must buy some truly excellent administration. By comparison, the average expenditure for a K–12 public school student in 2006–2007 was \$11,257. Relative to our leading universities, our public school system may seem to be a model of efficiency.

Readers wishing to find information on the increase in spending per student for any particular institution can look in Table A6, which organizes the universities we examined alphabetically. To find the universities with the highest and lowest rate of increase in administrative spending, see Table A7. To see the spending per student in each category for each university in 1993 and 2007, see Table A8.

### **Spotlight on Arizona**

Three of the institutions profiled in this report are public universities in Arizona: Arizona State University (ASU), Northern Arizona University (NAU), and University of Arizona (UA). All three show the symptoms of administrative

bloat. At Arizona State University, the number of full-time administrators per 100 students increased 94.0 percent between 1993 and 2007. This increase at ASU is greater than 167 other universities we examined. At NAU, the employment of full-time administrators per student increased by 36.5 percent during the same period. And at UA, the rate of increase was 45.8 percent (see Table A3).

At all three Arizona public universities, the number of administrators grew much more rapidly than the number of instructors, researchers and service providers. At ASU, the employment of teachers and researchers actually declined by 2.4 percent between 1993 and 2007 while administrative jobs increased by 94.0 percent. At NAU, the rate of increase was 15.8 percent, less than the 36.5 percent increase for administrators. And at UA, the number of instructors, researchers, and service providers only increased by 3.1 percent, compared with a 45.8 percent increase among administrators.

At the University of Arizona, a majority of full-time employees were administrators. In 2007, UA had 13.3 administrators per 100 students out of a total of 25.7 full-time employees. At ASU, there were 6.3 full-time administrators per 100 students out of 12.9 full-time employees. And NAU had 4.6 full-time administrators per 100 students in 2007 out of a total 11.2 employees (see Table A5).

Per pupil spending increased at ASU, NAU, and UA along with the growth in employees. The spending increases at all three Arizona public universities were greater in administration than instruction. At ASU, administrative spending per student increased by 46.3 percent between 1993 and 2007 after adjusting for inflation. At NAU, the increase was 36.5 percent, and at UA, the increase was 28.8 percent (see Table 6).

Total spending per student at these Arizona public universities far exceeded the average tuition charged to in-state undergraduates. In 2007, tuition fell within a tight range with UA at \$4,766, ASU at \$4,688, and NAU at \$4,596. But total spending per student was \$30,965 at UA, \$18,323 at ASU, and \$14,041 at NAU. As with all universities, the lion's share of resources comes from sources other than student tuition. The state and federal governments along with private donors and some fees for non-education services makes up the difference between what students pay and what universities spend. Administrative bloat in Arizona, as in the rest of the country, is possible because the bill is largely paid for by someone other than the consumer.

### **Spotlight on the University of Michigan**

If Arizona's public universities are models of administrative bloat, the University of Michigan (UM) provides a model for how to stem bloat. According

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to Vicki Murray's 2005 report for the Goldwater Institute, state funding constitutes a much larger portion of general revenues at ASU and UA than at UM.<sup>2</sup> State funding was 38 percent of general revenue at UA and 41 percent at ASU, while at UM, state funding dropped to less than 10 percent by 2003. UM has a relatively low and declining level of government subsidy at the same time that it has shown a significant reduction in administrative bloat.

*The University of Michigan provides a model for how to stem bloat. Between 1993 and 2007, the University of Michigan was one of the few leading universities that actually reduced the number of administrators. There were 5.5 percent fewer full-time administrators at UM in 2007 than in 1993. During that same period, the number of full-time instructional, research, and service employees increased by 68 percent.*

Between 1993 and 2007, the University of Michigan was one of the few leading universities that actually reduced the number of administrators. There were 5.5 percent fewer full-time administrators at UM in 2007 than in 1993. During that same period, the number of full-time instructional, research and service employees increased by 68.0 percent. Spending shows a similar pattern. Administrative spending per student (adjusted for inflation) increased by only 7.5 percent between 1993 and 2007. Of the universities we examined, this was the 23rd lowest increase in administrative spending. And yet during those same years, instructional spending went up by a much larger 29.2 percent.

Relatively low government subsidies have encouraged the University of Michigan to focus fewer employees and resources on administration and devote more to instruction. To be sure, UM still employs quite a lot of administrators and devotes a considerable sum of money

to that task, but financial independence from the state seems to be moving the university in the right direction. Reducing government subsidies may be just the remedy for rapidly growing university administration.

## Conclusion

Universities are suffering from administrative bloat. Higher education has been adding more administrative employees and spending more on administration per student, and increases in administrative employment and spending far exceed those in instruction, research and service. This trend is especially egregious because as universities increase their enrollments, one would expect that administrative costs per student would go down. The relatively fixed cost of administering a university should be spread over a larger base of students.

This report simply documents this administrative bloat, using data reported by universities to the U.S. Department of Education. The facts regarding growth in administrative employment and spending are clear and indisputable.

Why this administrative bloat is occurring and what should be done to address it are questions on which this report does not provide systematic analysis to answer. We do examine the illustrative cases of administrative bloat at the heavily state-subsidized Arizona

public universities compared with the reduction in bloat at the more financially independent University of Michigan. These cases suggest that government subsidies for higher education play a central role in facilitating excessive growth in administration. But our primary purpose here is to document and highlight the nature of the problem, not to explain its causes or solutions.

That being said, we can offer some ideas for future research to explore why universities suffer from disproportionate growth in administration and what can be done about it. First, it should be clear that much of what universities advocate for is unlikely to fix the problem of administrative bloat. Universities frequently claim they need greater direct or indirect government subsidies as well as more students in higher education. Yet during the period we examined, both government subsidies for higher education and enrollments increased significantly. Neither development prevented disproportionate increases in administrative employment or spending.

It is more likely that higher enrollments and higher levels of subsidy actually contributed to administrative bloat. Universities have an ever-larger army of administrators because they can afford it. If funds were tighter, it might be the case that universities would focus more of their resources on the core responsibilities of teaching and conducting research while striving for greater efficiency in providing the

necessary administration for those core responsibilities.

Growth in enrollments and higher rates of government subsidy have made universities flush with extra funds. Being nonprofits, they do not return excess profits to shareholders; instead, they return excess profits to their *de facto* shareholders, the administrators who manage the institutions. These administrators are paid dividends in the form of higher compensation and more fellow administrators who can reduce their own workload or expand their empires.

The growth in government subsidy for higher education means that there is more government regulation and more government bureaucracy that universities must handle. Compliance with and management of government bureaucracy also contributes to administrative growth in universities because of the additional people it takes to navigate red tape.

The increasing government role in universities also means that universities have to consider more political issues in their operations. To please political constituencies, universities need more diversity administrators, sustainability administrators, or anyone who might improve the prospects for subsidies from politicians.

In addition, because universities derive most of their money from gifts, government subsidies, and fees for

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*The primary solution to administrative bloat and generally rising costs is to reduce the rate of government subsidies. We need to stop feeding the beast. Politicians and the public genuinely want to improve the affordability of higher education and expand access, but they are just facilitating a vicious cycle. Subsidies produce more bloat, which raises costs, which creates demand for higher subsidies.*

services rather than student-paid tuition, the amount of competition among universities is muted and distorted. Since higher education has high barriers to entry and competes on decades (or centuries) of accumulated status rather than price, there are more excess profits available for administrative bloat.

If these hypotheses are correct, the primary solution to administrative bloat and generally rising costs is to reduce the rate of government subsidies. We need to stop feeding the beast. Politicians and the public genuinely want to improve the affordability of higher education and expand access, but they are just facilitating a vicious cycle. Subsidies produce more

bloat, which raises costs, which creates demand for higher subsidies.

If public demand for subsidies and greater access is unavoidable, it is possible to structure those subsidies in a way that encourages greater cost control, which in turn will facilitate less need for subsidies and improve access. Of course, designing these subsidies properly would be difficult, practically and politically.

Until we can further explore the causes and solutions to administrative bloat in higher education, we should at least be clear about the existence of the problem and the necessity to address it.



## Appendix A: Data, Analysis, and Recommended Research

We base our conclusions on data drawn from the Integrated Postsecondary Education Data System (IPEDS), which is sponsored by the U.S. Department of Education. Higher education institutions report basic information about enrollment, employment, and spending in various categories to IPEDS, which then makes this systematically collected information publicly available. In this report, we have done little more than download, organize and highlight information that is readily available from a Department of Education data set. But our minimal processing of the data has its virtues. The credibility and accuracy of our findings do not rely upon us or any opaque statistical analysis. Readers only need trust information reported to the Department of Education by universities themselves to believe our results.

For ease of interpretation, we have combined some of the categories. In the employment tables in this report, the “Administration” column consists of the IPEDS categories of “Administration/Executive” and “Other Professionals.” Other Professionals clearly fall within an administrative category because they are defined by IPEDS as “persons employed for the primary purpose of performing academic support, student service, and institutional support.... Included in this category are all employees holding titles such as business operations specialists; buyers and purchasing agents; human resources, training, and labor relations

specialists; management analysts; meeting and convention planners; miscellaneous business operations specialists; financial specialists; accountants and auditors; budget analysts; financial analysts and advisors; financial examiners; loan counselors and officers; [etc.].” Under any reasonable definition, these employees are engaged in administrative functions but clearly not directly engaged in teaching, research or service.

The “Instruction, Research, and Service” column is identical to the category reported in IPEDS. The only change we make is to include the “Graduate Assistants” category for part-time workers in “Instruction, Research, and Service.” The “Clerical” category is also identical to the one reported in IPEDS. We did not combine this into “Administration” only because it clearly contains a lower-skilled-and-compensated set of employees associated with work of “a secretarial nature” rather than the administrative management of the institution.

“Other Employees” consists of the “Technical/Paraprofessional,” “Skilled Crafts” and “Maintenance” categories in IPEDS. Like those in the Clerical category, these employees are primarily engaged in providing basic support for the operations of universities rather than engaging in administrative management, and so we report them as a separate category.

Unfortunately, the spending categories in IPEDS are not identical to the employment categories, but we have done our best to map them into similar groupings. For the expenditure tables in this report, the “Administration” spending consists of the “Academic Support,” “Institutional Support,” and “Student Services” categories in IPEDS.

The “Instruction” spending category is identical to the one found in IPEDS. The “Research and Service” column consists of the “Research,” “Public Service” and “Independent Operations” categories in IPEDS. The “Other Expenses” column consists of the “Auxiliary Expenses,” “Operation and Maintenance of Plant” and “Hospitals” categories.

We believe that this consolidation of categories paints a more accessible and accurate picture, but readers are free to access the original data and combine categories in other ways if they prefer.

In this report, we focus on the 198 leading universities in the United States. These are identified in IPEDS as four-year colleges that also grant doctorates and engage in a high or very high level of research. This would include all state flagship public universities as well as elite private institutions.

We have reported results broken out by institution as well as the student-weighted average across all 198 universities. (Because of missing data for two different sets of institutions, there are actually only 196 universities in the employment and expenditure tables.) We also ranked the universities so that readers can see where any particular institution stands in its administrative bloat relative to other institutions.

The information in this report is taken from two snapshots, one from 1993 and the other from 2007. These are the earliest and most recent years for which we can provide nearly complete information on our variables of interest. The change over this 15-year period should give us a clear picture of the trends in higher education.

Readers interested in previous and related research on this topic are encouraged to consult *Going Broke by Degree: Why College Costs Too Much*, by Richard Vedder (AEI Press, 2004). For additional analysis of the trends in college spending, readers should consult *Trends in College Spending*, by Jane Wellman (Delta Cost Project, 2009).

**All tables referenced throughout this report may be found online at [www.goldwaterinstitute.org](http://www.goldwaterinstitute.org).**

NOTES

1. A potential explanation for the increase in the number of college employees and the rise in costs could be that the quality of a college education has increased over time. Average composite scores on the Graduate Record Examination (GRE), however, have actually declined since 1990. National Center for Education Statistics, *Digest of Education Statistics*, 2009, <http://nces.ed.gov/pubs2010/2010013.pdf>.

2. Vicki Murray, *The Privately Financed Public University: A Case Study of the University of Michigan* (Goldwater Institute Policy Report #206, 2005).

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