

Financial Management Challenges in Higher Education Panel Discussion

Comments by Lisa M. Lynch, Brandeis University and NBER

July 2024

The composition of employment in higher education today in the United States is undergoing significant change as colleges and universities attempt to bend the cost curve, respond to enrollment declines at both the undergraduate and graduate levels, and recruit staff amid the strongest labor market since the 1960s. In addition, private sector colleges and universities have faced a surge in adjunct faculty and student-worker union organizing after two important National Labor Relations Board (NLRB) rulings in the last ten years. In 2014, the NLRB ruled that full-time adjunct or contingent faculty in private colleges and universities are not managerial employees and, therefore, have the right to organize.¹ The second ruling by the NLRB in 2016, involving graduate student workers at Columbia University,² they held that student workers are considered statutory employees covered by the National Labor Relations Act and have the right to organize.

In the following comments I describe in further detail changes in the composition of the labor market in higher education over the past thirty years, a few ways in which colleges and universities have responded to demands to reduce personnel costs even in the face of low unemployment, and finally recent trends in faculty and student unionization.

Employment Composition. In 2022 there were almost 3.9 million employees in over 3,500 degree-granting higher education institutions in the United States, representing 2.5 percent of the total US workforce. About 1.5 million higher education employees were faculty, and two million were staff. Of the faculty, 842,407 were full-time, and 665,234 were part-time³. Among staff, the largest categories

¹ For more detail see <https://www.insidehighered.com/news/2015/01/02/nlr-ruling-shifts-legal-ground-faculty-unions-private-colleges>

² <https://studentbenefits.provost.columbia.edu/sites/default/files/content/NLRB%20Decision.pdf>

³ National Center for Education Statistics, Education Digest 2023 Table 314.20

of employees by occupation were office and administrative support (~370,000), student and campus services (~224,000), management (~280,000), and librarians and instructional support staff (~214,000)⁴.

Figure 1 shows some changes in employment in higher education for full and part-time faculty and full and part-time staff from 1995-2022. Focusing on staff first one can see in Figure 1 that full-time staff, shown in the top line, represent almost 45 percent of all employees in higher education. Their employment increased steadily through the late 1990s and early 2000s, dropped with COVID-19, and only returned to pre-COVID levels in 2022. Part-time staff make up a little more than 10% of all staff, and their numbers have been declining since 2013. Note that staff employed by a third-party contractor are not included here – e.g., dining, custodial, and bookstore. Many colleges and universities, in an effort to reduce expenses, have been outsourcing these categories of employees and others, such as HR, legal, and online program management, over the past decades. Therefore, the actual number of people providing services for colleges and universities is considerably higher than the 3.9 million number cited above.

There has been considerable discussion of how colleges and universities have tried to reduce costs by replacing full-time tenured and tenure-track faculty with part-time contingent or contract faculty. As seen in Figure 1, part-time faculty hiring increased sharply from 1991-2011, and by 2011, 50 percent of all faculty were full-time (which may include full-time contract faculty), and 50 percent were part-time. However, the number of part-time faculty fell by almost 100,000 between 2011 and 2022. By 2022 56 percent of all faculty were full time and 44 percent were part-time. There has also been a slow but steady increase in the number of part-time paid graduate assistants since 1995 – now 400,000.

These trends raise several questions. For example, are part-time contract faculty becoming full-time contract faculty or full-time tenured and tenure track faculty? Are some part-time contract faculty

⁴ <https://www.univstats.com/staffs/> as accessed July 16, 2024.

being replaced by part-time grad students? The American Association of University Professors, AAUP, sheds some light on these questions with their analysis of changes in the academic labor market⁵. Using data on nonmedical instructional faculty in degree-granting nonprofit institutions, they find that full-time contract faculty now represent 20 percent of all faculty, whereas, in the early 1990s, they were around 14 percent. In addition, they find that “about 24 percent of faculty members in US colleges and universities held full-time tenured appointments in fall 2021, compared with about 39 percent in fall 1987, ... and the number of graduate student employees increased 44 percent from fall 2002 to fall 2021, compared with a 19 percent increase among both full-time and part-time faculty⁶”. This indicates that colleges and universities have tried to reduce costs and increase flexibility by reducing tenured and tenure track positions and replacing these jobs with contingent faculty and graduate student workers. Goolsbee and Syverson (2023) argue that 4-year colleges and universities have significant monopsony power over their tenure-track faculty⁷ and conclude that monopsony power has contributed to this trend toward non-tenure-track faculty hiring in the U.S.

Further examination of the data in Figure 1 raises the question of how these changes in the composition of faculty and graduate student assistants may have contributed to the increased organizing efforts on behalf of contract faculty and graduate students. In addition, how do these trends vary by public versus private nonprofit versus private for-profit institutions, small versus large institutions, and research-intensive universities versus community colleges? These are all questions that merit further study.

⁵ <https://www.aaup.org/article/data-snapshot-tenure-and-contingency-us-higher-education>

⁶ Ibid

⁷ This is not to say that many a provost has understandably complained about the high cost of recruiting and retaining superstar tenured faculty. But these are more the exceptions in elite research universities rather than the norm for faculty hiring.

COVID has further impacted the trends in the composition of faculty. In a survey done in October 2020 of 1,122 professors by the *Chronicle of Higher Education*,⁸ 73 percent of tenured professors said they had moved up their retirement date. Almost half said they planned to retire within two years or less. In comparison, in 2019, when this question was asked to faculty, only 20 percent said they would retire within two years. With mandatory retirement eliminated for faculty in 1994, many colleges and universities have tried, with mixed success, to introduce various retirement plans to encourage faculty to transition into retirement. An irony with these programs from a financial point of view is that it may well be the case that a long-serving tenured faculty member who retires is paid not that much more, and in some cases less, than what a new tenured track faculty might cost.

As tenured faculty retire this should result in the hiring and advancement of women and faculty of color. However, the data in Figure 1 and from the AAUP suggest that retired faculty are more likely to be replaced by fixed-term contract faculty rather than tenure track or tenured faculty. In the face of a marked decrease in the number of students graduating from high school in the U.S. (the enrollment cliff of 2025), a “hot” labor market that is luring more high school graduates to skip college and directly enter the labor force, and a perception that “college doesn’t pay”, it should be no surprise that colleges and universities are reluctant to commit to lifetime employment for faculty as they struggle to balance declining revenues with rising costs.

Impact of a “Hot” Labor Market. While there is some evidence that universities have monopsony power over tenure-track faculty, colleges and universities need to recruit and retain many non-faculty staff positions from a more competitive labor market. With the national labor market experiencing one of the longest stretches of low unemployment in more than 60 years, college

⁸https://connect.chronicle.com/rs/931-EKA-218/images/Covid%26FacultyCareerPaths_Fidelity_ResearchBrief_v3%20%281%29.pdf

administrators have struggled to fill open staff positions and retain key personnel while at the same time managing financial pressures to lower the overall cost of attendance. The College and University Professional Association for Human Resources, CUPA-HR, conducts regular surveys of the higher ed labor market and finds in its most recent 2023-24 survey on wages that “staff (generally non-exempt employees) received the highest increase in pay in comparison to other workforce areas...[while] tenure-track faculty continued to receive the lowest pay increases (and were the only group of employees whose raise did not surpass inflation)”⁹. In addition, in the 2023 CUPA-HR employee retention survey,¹⁰ they found that one-third of higher education employees are very likely or likely to look for new employment opportunities in the next year. For full-time, exempt staff, turnover has increased from a low of 7.9% in 2020-21 to 14.3% in 2022-23. Turnover for full-time, non-exempt staff increased from 9.4% to 15.2% during this same period.

The impact of COVID and a hot labor market have also contributed to marked changes in where staff would like to conduct their work. In responses to the 2023 CUPA-HR employee retention survey, almost 70 percent of non-faculty employees said they would prefer to work either in hybrid mode or fully remote. The only categories of employees for whom less than 50 percent indicated that most duties could be done remotely were librarians, health and wellness staff, and facilities staff. Figure 2 shows a marked difference between where employees report they work (in-person, hybrid, or fully remote) versus where they would like to work. Providing more flexibility in work location may be one way for colleges and universities to lower payroll costs, but it is a fundamental change in how higher education institutions create their on-campus community. Yet in high-cost cities, hybrid or fully remote

⁹ <https://www.cupahr.org/surveys/workforce-data/workforce-pay-increases/> accessed July 20, 2024

¹⁰ <https://www.cupahr.org/surveys/research-briefs/higher-ed-employee-retention-survey-findings-september-2023/>

work may be a way for colleges and universities to hire outside the local labor market and not have to pay a wage premium for higher local costs of living.

Collective bargaining in Higher education. The last area of substantial change and financial consequences in higher education has been the significant increase in unionization of faculty and students over the past decade¹¹. Collective bargaining rights are protected by state law for academic professionals in 34 states, but in those 34 states, historically, only a handful provide collective bargaining rights to student workers. Nevertheless, graduate teaching assistants at the University of Wisconsin–Madison secured their first union contract in 1970, and graduate assistants at the University of Michigan won their first union contract in 1975. For faculty and graduate assistants at private colleges and universities, their right to organize is regulated by the National Labor Relations Act (NLRA) and overseen by the five-member National Labor Relations Board, NLRB. Each of the members of NLRB is appointed by the President, with the approval of the Senate, for a term of 5 years. In 1972, in a decision involving Adelphi University, the NLRB ruled that graduate teaching and research assistants were primarily students and, therefore, not able to unionize. In a landmark 1980 decision, *NLRB v. Yeshiva University*, the U.S. Supreme Court narrowed the protections of the act to non-tenure track employees, including graduate students, unless the institution otherwise agreed to recognize the bargaining unit or the tenured track faculty members did not hold “managerial authority.” In 2000, the NLRB reversed its prior decisions in a case involving New York University and ruled that graduate student assistants were employees. The NLRB then backtracked four years later in a case involving Brown University when it decided that graduate student workers were not employees. This is why the 2016 decision by the NLRB to rule that student workers were employees again has been so important for the current surge in student unionization. This back and forth in NLRB decisions also means that university administrators

¹¹ For a recent review see Clemons 2024.

have taken different approaches in how they have engaged with unionization campaigns on their campuses – some try to slow-walk the process in the hope that there will be yet another reversal of opinion by the NLRB while other institutions move forward with the recognition vote and first contract negotiation in a timelier way.

As detailed by Berry and Savarese (2012) in their 2012 Directory of U.S. Faculty Contracts and Bargaining Agents in Institutions of Higher Education and Sproul, there were just over 430,000 faculty and graduate student assistants unionized in 2012, including 42% of all public two-year college faculty members unionized, 25% of all public four-year faculty members unionized, but just 7% of faculty members at private four-year institutions unionized. Starting from this base in 2012 using data collected by the National Center for the Study of Collective Bargaining in Higher Education and the Professions¹² and summarized by Herbert, Apakarian, and van der Naald (2023), one can see in Figures 3a and 3b the marked increase in the number of new collective bargaining units for both faculty and graduate students that have followed the NLRB 2014 decision that impacted contract faculty and the 2016 decision that impacted graduate student workers. These two figures show the new bargaining units added each year in the bar graphs. Between 2013 and 2023, 137 faculty collective bargaining units won recognition, representing more than 42,000 faculty. The total number of faculty bargaining units by June 30, 2023, is 786. In 2024, data not included in Figure 3a, NYU's full-time contract faculty voted to unionize after the university agreed to remain neutral during the election, becoming the largest union of full-time contract faculty at a private college or university with close to 1,000 faculty in the bargaining unit. University administrators may have hoped that replacing tenured and tenure-track faculty with full-time contract faculty would provide more flexibility, but this increased precarity is most certainly an important factor in the rising unionization of both full and part-time contract faculty.

¹² <https://www.hunter.cuny.edu/ncscbhep/>

Figure 3b shows the dramatic uptick that began in 2022 in student bargaining units. Just between 2022 and half of 2023, unions won 30 new student-worker collective bargaining units, representing a total of 35,655 workers. As detailed by Herbert, Apkarian, and van der Naald (2023), most of the new student collective bargaining units have involved graduate student workers, who comprise 62 percent (19) of the new units. However, as also discussed in Herbert, Apkarian, and van der Naald (2023), the growth in the number of undergraduate bargaining units is a notable new development in higher education collective bargaining. Prior to 2022, there were hardly any undergraduate unions despite the large number of undergraduates who work on campuses as resident advisors, tutors, dining hall staff, library staff, and more. However, in 2022-2023, many new undergraduate student-worker unions were established on campuses across the country, including the Service Employees International Union (SEIU), which successfully organized a campaign for 20,000 undergraduate student employees at California State University¹³. This is the largest undergraduate student union in the country, and it will be interesting to watch the negotiation dynamics and features of their first collective bargaining agreement.

Student work by undergraduates and graduate students has always been a feature of higher education institutions, so why is there a surge in unionization now? Certainly, the NLRB decision of 2016 has played an important role, but other contributing factors likely include the rising costs of higher education, student debt, and workplace conditions, including discrimination, bullying, sexual harassment, and workplace safety. This presents a unique challenge to higher education administrators as they provide an environment that supports the student as both a learner who pays tuition and an employee earning wages.

¹³ This new bargaining unit is not included in Figure 3b.

The next frontier in union organizing in higher education is student-athletes. In response to an election petition by Dartmouth College basketball players in September 2023 to form a union, the Boston regional NLRB¹⁴ concluded that the basketball players met the definition of an employee because they performed work that benefited the college, the college exercised significant control over the players' work, and the work was performed in exchange for compensation. The form of compensation was valuable equipment and apparel, tickets to games, lodging, and meals, along with the benefits of the college's peak performance program. After the basketball players voted 13-2 to join the union in 2024, Dartmouth asked for a full review by the NLRB board of the decision. The college said, "If the full NLRB refuses to overturn the regional director's decision, Dartmouth's only remaining option to challenge this legal error is to engage in a technical refusal to bargain, an unprecedented step in our long history of labor negotiations.... This will likely result in SEIU Local 560 filing an unfair labor practice charge with the NLRB, which we would appeal. This is the only lever Dartmouth has to get this matter reviewed by a federal court¹⁵."

Finally, Figure 4 presents some data on the number of faculty and student strikes since 2012. There have been several high-profile strikes including the November 2022 strike of six weeks involving some 48,000 academic researchers, post-docs, and student workers in the University of California system, 1,800 adjunct faculty at the New School in New York City, and the 2023 strike at Rutgers University of over 9,000 tenured and tenure-track faculty, contingent faculty, post-doctoral scholars, and graduate assistants. After the University of California strike wages increased 55 to 80 percent for academic employees and 25 to 80 percent for graduate-student researchers.¹⁶ At Rutgers, post-strike

¹⁴ For more details see <https://www.wbur.org/news/2024/02/06/dartmouth-basketball-union-nlrh>

¹⁵ Ibid

¹⁶ <https://www.fairucnow.org/uaw2865-sru-contracts/>

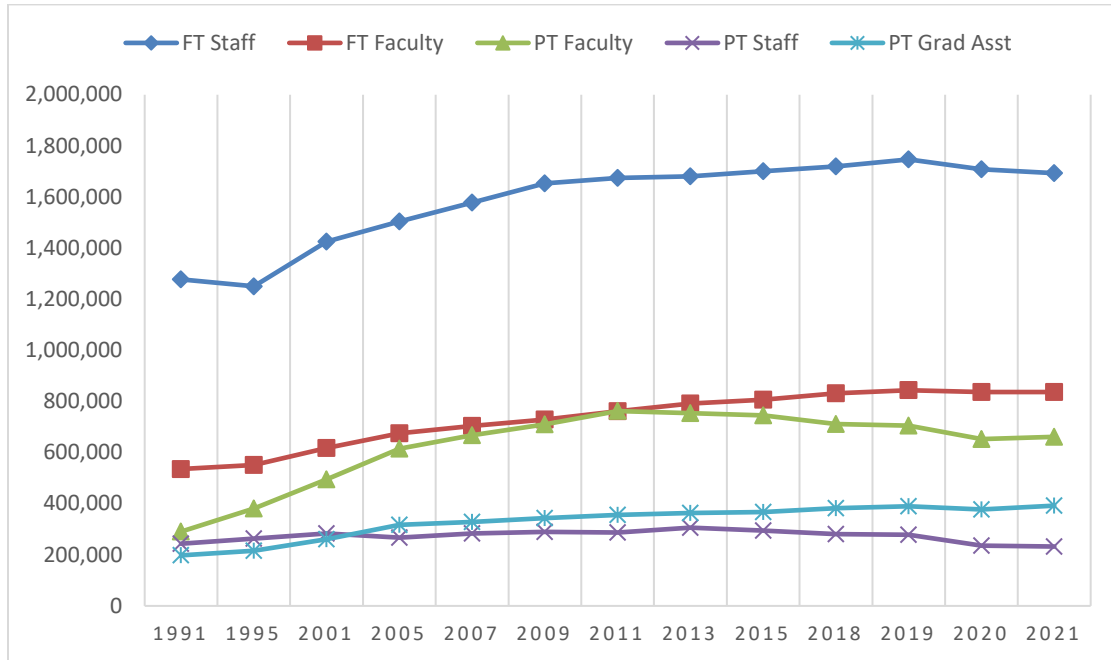
salary increases were 33% for graduate student workers, 44% for adjunct faculty¹⁷, and 28% for postdocs. At the New School, its president and senior administrators had to respond to angry parents who threatened to file lawsuits against the university and withhold tuition and angry faculty who felt prior norms of work were violated when the university demanded proof of work effort and suspended pay of striking adjunct faculty¹⁸. Even as colleges and universities eventually reach an agreement on wage and working conditions for faculty and students, there are likely additional hidden costs they face in terms of employee morale, alumni relations, and faculty and student retention.

As we consider the financial challenges facing colleges and universities, including the baby bust, declining student enrollments, student debt, the rise of remote learning, and shrinking/shifting sources of funding for research, it is also important to consider how employment decisions made by colleges and universities can both help and exacerbate these challenges.

¹⁷ As reported <https://www.chronicle.com/article/striking-faculty-and-grad-students-won-big-pay-raises-this-academic-year>

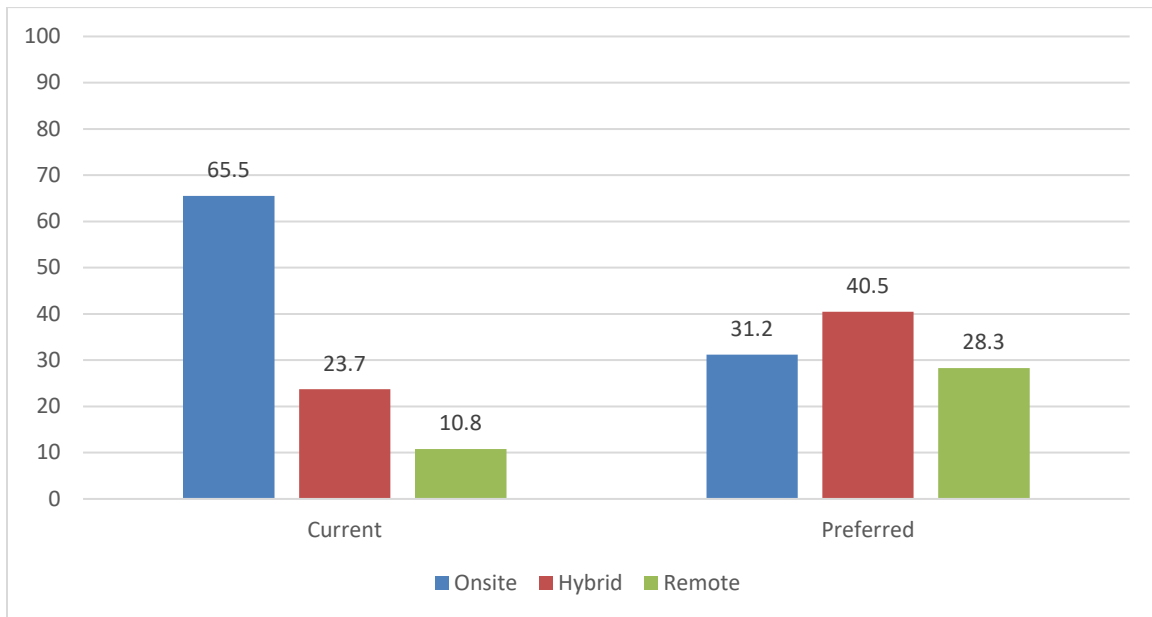
¹⁸ <https://www.chronicle.com/article/an-extraordinarily-hostile-move-new-school-threatens-to-withhold-pay-in-adjunct-strike>

Figure 1: Employment Trends Faculty and Staff by Full-Time and Part-Time Status 1995-2022



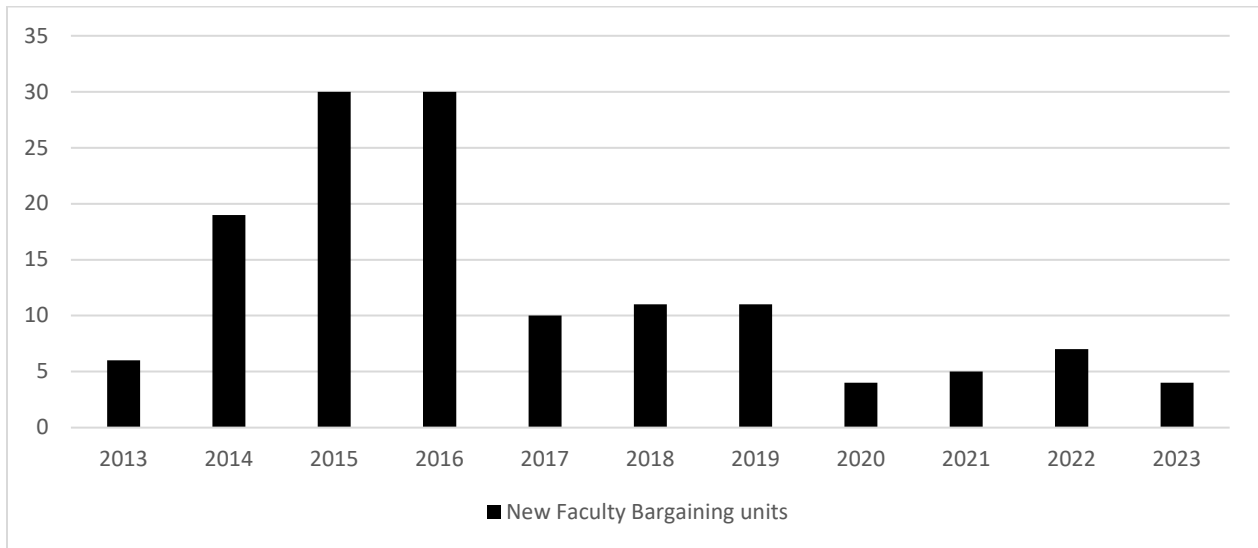
Source: National Center for Education Statistics, Education Digest 2022 and 2023 Table 314.20

Figure 2: Employee Preference for Remote or Hybrid Work (Percent)



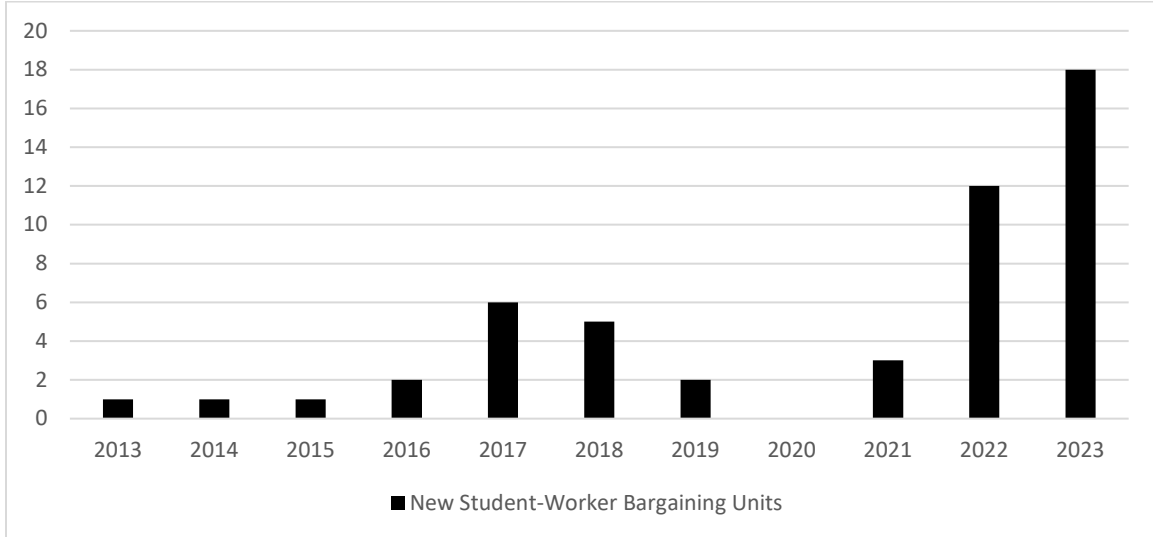
Source: CUPA-HR 2023 Employee Retention Survey <https://www.cupahr.org/surveys/employee-retention-survey/> accessed July 13, 2024.

Figure 3a: Trends in Faculty Collective Bargaining Units Since 2012



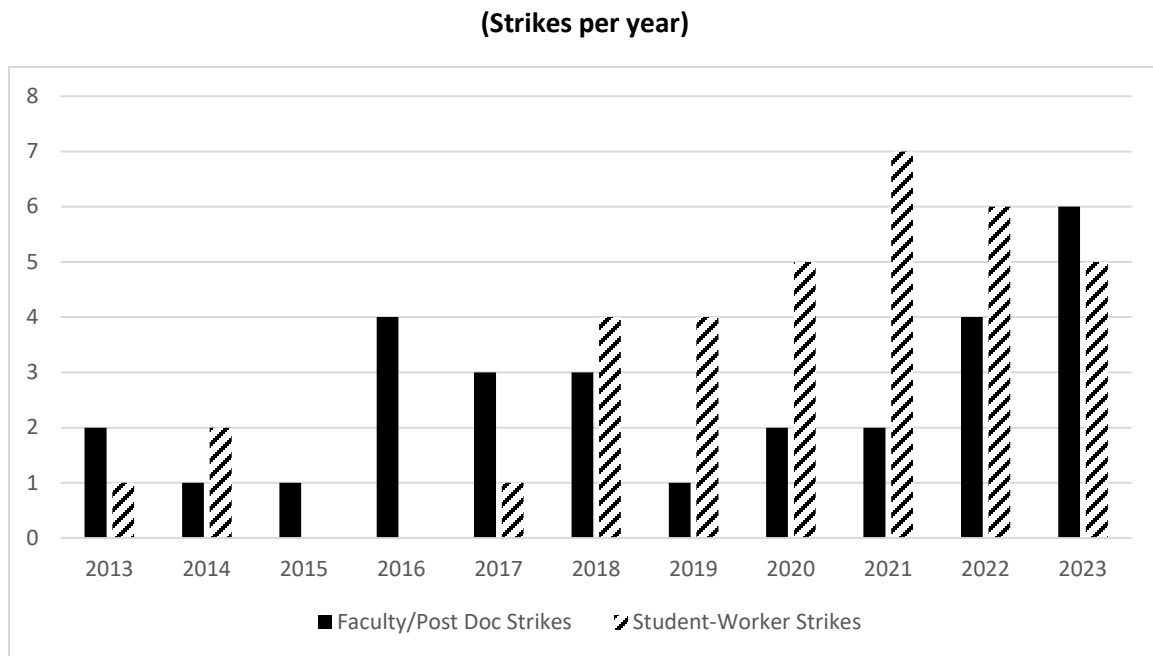
Source: *The State of the Unions 2023* Special Feature by Herbert, Apkarian, and van der Naald page 10 <https://slu.cuny.edu/wp-content/uploads/2023/08/Union-Density-2023.pdf> The red line is the cumulative number of new bargaining units since 2012 and the blue boxes in the bar graph are the number of new units each year. Data for 2023 are just through June 30.

Figure 3b: Trends in Student-Worker Collective Bargaining Units Since 2012



Source: From *The State of the Unions 2023* Special Feature by Herbert, Apkarian, and van der Naald page 7 <https://slu.cuny.edu/wp-content/uploads/2023/08/Union-Density-2023.pdf> The red line is the cumulative number of new bargaining units since 2012 and the blue boxes in the bar graph are the number of new units each year. Data for 2023 are just through June 30.

Figure 4: Strike Activity Since 2012



Source: From *The State of the Unions 2023* Special Feature by Herbert, Apkarian, and van der Naald page 11 <https://slu.cuny.edu/wp-content/uploads/2023/08/Union-Density-2023.pdf> Data for 2023 are just through June 30.

References

- Berry, Joe and Savarese, Michelle. *Directory of U.S. Faculty Contracts and Bargaining Agents in Institutions of Higher Education*, September 2012.
<https://www.hunter.cuny.edu/ncscbhep/assets/files/NCSCBHEP%202012%20Directory%208-15-12%20RC2.pdf> 2012
- Clemons, Andrea. "Analyzing the Upward Trend in Academic Unionization: Drivers and Influences," *Journal of Collective Bargaining in the Academy*, Vol. 15, article 5. 2024.
- Goolsbee, Austan and Syverson, Chad. "Monopsony Power in Higher Education: A Tale of Two Tracks," *Journal of Labor Economics*, 41:S1, S257-S290, 2023.
- Herbert, William, Apkarian, Jacob, and van der Naald, Joseph. "Special Feature," in edited by Ruth Milkman and Joseph van der Naald. 2023
<https://slu.cuny.edu/wp-content/uploads/2023/08/Union-Density-2023.pdf>