

## ‘Administrative bloat’: fact or fiction?

### Working Paper #5

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#### Abstract

Working Paper #5 provides a review of university ‘administration’ with a focus on the factors that have influenced the growth in administration in the new millennium and have shaped organizational development. It is clear there has been a significant increase in what are termed ‘administrative expenditures’ since the turn of the new millennium driven by factors such as expanded mandates, increased competition, the pursuit of new revenue opportunities, increased enrolment and increases in student diversity, the growth of government regulation and a greater emphasis on accountability. But is there evidence of Administrative ‘bloat’?

The 2015 Working Paper series is intended to provide a relatively brief review of some key issues that affect higher education – particularly university education – in Canada. Faced with the twin realities of financial constraint and a decline in the ‘traditional age’ PSE cohort, universities are faced with major financial challenges. As universities, and the PSE sector as a whole, grapple with the challenges the need for more in-depth analysis of particular issues is critical. The Working Papers draw on the observations and insights gleaned from years of hands-on experience in the PSE sector and the many consulting and research projects completed by Snowdon & Associates. All of the Working Papers will use excerpts from previous reports, updated, augmented and modified as necessary. The first Working Paper – “Cost pressures and cost theories” – set the stage for working papers that examine key issues such as “Compensation in Academe” (April) “Understanding Research Costs” (May, 2015) and “Faculty Workloads and the Innovation Agenda” (May 2015) and now “Administrative bloat: fact or fiction?” (August, 2015). Additional working papers will be added with commentary and observations about ways to deal with the complex set of challenges that face higher education institutions. Comments and questions about the Working Papers are welcome. [Ken.SnowdonandAssociates@gmail.com](mailto:Ken.SnowdonandAssociates@gmail.com).

## Introduction

*...the problem isn't the faculty, you see, but the incredible proliferation of administrators. In this telling, administration is like a gut bacteria that has somehow gotten out of control, reproducing itself merely for the sake of reproducing itself, and in the process doing considerable damage to the body that hosts it.*<sup>1</sup>

'Administrative bloat' in academe<sup>2</sup> is one of those assertions that, on the surface, sounds plausible and is buttressed with commentary from pundits and critics alike. In the best of times administrators 'take it on the chin' in academe – even academic administrators. In the worst of times, as the sector and institutions turn inward in the face of constraint and retrenchment, the 'administration' becomes an easy target – especially when loosely defined as any service or office that is not expressly 'academic'.

The general complaint about administration focuses on both rates and numbers; salaries too high and administrators too many. Administrators in general, and academic administrators in particular, have prospered over much of the period since the latter part of the 1990s.<sup>3</sup> Their salaries have kept pace, in general, with adjustments in academe, generally, and the advent of greater mobility and publication of individual salary data ('sunshine' laws) has created a competitive market of its own for senior academic and non-academic administrators alike. Working paper #2 referred to the growth in 'administrative' salary expenditures in the context of the labour market for professional 'knowledge workers' and pointed out that some areas – Academic support services, Student services and External relations – have registered above average expenditure increases since the turn of the millennium. Some part of the expenditure increase is due to compensation increases. Another part is due to the professionalization of administrative services in general, and a component is also due to the increase in the number of staff in administrative positions. But is it fair to call it Administrative 'bloat'?

This paper provides a focus on the factors that have influenced the growth in administration in the new millennium and factors that have shaped organizational development. The purpose is to shed some light on the facts about the growth of

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<sup>1</sup> Megan McArdle, "Admins aren't the Reason College Costs Keep Soaring", February 2014 (<http://www.bloombergvew.com/articles/2014-02-03/admins-aren-t-the-reason-college-costs-keep-soaring>)

<sup>2</sup> Before embarking on a review of the Canadian situation it is important to note that the topic of 'Administrative bloat' in academe is not confined to Canadian universities. In the United States a variety of studies have pointed out the growth in 'administration' and the emphasis on an increase in the number of professional staff. See, for example, Desrochers, D. and Kirshstein, R., "*Labor Intensive or Labor Expensive, Changing Staffing and Compensation Patterns in Higher Education*", Issues Brief, Delta Cost Project, February 2014.

<sup>3</sup> In recent years, in some provinces, senior executives have been subject to provincial legislation that sets limits on compensation adjustments.

expenditures in the broadly defined ‘administration’ area in an effort to improve our understanding of the factors that drive cost pressures in academe.

### A look at the data

The paper utilizes a variety of sources of information to accomplish the task: financial information from Statistics Canada / Canadian Association of University Business Officers (CAUBO Report), more detailed information from the Committee of Finance Officers – Universities of Ontario, *Financial Report of Ontario Universities*, (COFO Report), and reference to various publications that deal with the topic in the United States and Canada.<sup>4</sup>

Table 1 provides a national level summary of General Operating expenditures by function. Actual expenditures more than doubled over the period (119%) but the variation by function is notable. Instruction and non-sponsored research (academic units) doubled and almost kept pace with the overall rate of increase. The increase in Library expenditures was far below the overall increase while Physical plant expenditures also registered an increase below the average. The categories Administration, External relations, and Student services experienced greater than average increases and deserve further scrutiny.

**Table 1: General Operating Expenditures by Function 2000-01 to 2012-13 (\$000s)**

Function	2000-01	2012-13	% Change
Instruction & non-sp research	\$ 5,313,767	\$ 11,361,935	114%
Non-Credit	\$ 267,177	\$ 491,408	84%
S/T Instruction & non-sp research	\$ 5,580,944	\$ 11,853,343	112%
Library	\$ 524,997	\$ 835,276	59%
Computing	\$ 353,121	\$ 780,877	121%
Administration	\$ 1,075,221	\$ 2,143,157	99%
External relations	\$ -	\$ 422,794	-
S/T Administration	\$ 1,075,221	\$ 2,565,951	139%
Student services	\$ 617,821	\$ 1,846,198	199%
Physical plant	\$ 958,929	\$ 2,026,846	111%
Total CAUBO Institutions	\$ 9,111,033	\$ 19,908,491	119%

In the case of Administration, readers should note that the CAUBO defined functional area ‘External relations’ was part of the Administration function in 2000-01 and separately reported as of 2003-04. In that year External relations expenditures were

<sup>4</sup> The CAUBO Report provides a categorization of expenditure by function (and type), there are acknowledged limitations in the consistency and comparability of the information. For example, differences in organizational structure and management approaches to service delivery<sup>4</sup> (i.e. centralized / decentralized) are part of the Canadian higher education landscape and affect the comparability of information. At the aggregate level, however, the information is useful for identifying trends.

almost \$190 million. If a portion of that figure is deducted from the 2000-01 stand-alone Administration figure, the *increase* in Administration expenditures would be considerably higher, hence the decision to show the Sub-total for Administration **including** External relations.<sup>5</sup>

The Administration functional area in the CAUBO Report (actually referred to as 'Administration and general') includes a long list of activity areas ranging from Audit fees to the Office of the President and includes executive offices as well as line departments such as finance, procurement, human resources, internal audit, and the registrar. The aggregate level of expenditure makes it difficult to determine whether there are specific areas within the Administration category that have grown faster than others.

The COFO report is the source information for Ontario universities' CAUBO report. The COFO Report provides a greater level of disaggregation than the CAUBO Report and allows for a bit more detailed analysis of expenditure trends. In particular COFO distinguishes between 'Administration' and 'Academic support' services, and it reported the functional area 'External relations' as a separate category before CAUBO – thus allowing for a 2000-01 reference point. Table 2 has been constructed from the COFO information and includes one more year of data (2013-14).

The first point to notice about Table 2 is that the percentage increases from 2000-01 are different than the previous CAUBO national figures largely because Ontario experienced greater enrolment growth over the period than the 'average' for the country as a whole; total Full-Time (FT) enrolment in Ontario increased by 70% from 2000 to 2011 versus a national average of 55%. Since enrolment is a key income and expenditure driver the overall expenditure increase in Ontario was higher than the national increase; through 2012-13 CAUBO reported an increase of 119% in total expenditures while the similar figure in Ontario (COFO) was 128%. Instruction and non-sponsored research in CAUBO registered an increase of 114% while COFO reported an increase of 129%. In terms of other functions, CAUBO reported an increase of 59% in Library expenditures while COFO registered an increase of 56% over the period. Student services expenditures registered an increase of 199% in CAUBO and an increase of 162% in COFO. Physical plant expenditures increased by 111% nationally (CAUBO) and 115% in Ontario (COFO).

Each province has its own story relative to the national figures but the value of the Ontario data for this analysis is that it allows for a more detailed look at 'administrative' expenditures. In the COFO data Administration registered an increase of 114% through 2012-13 which is well below the average increase of 128%. Academic support which is

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<sup>5</sup> Readers should keep in mind that the External relations expenditure figure does not reflect the 'net' expenditure after donations are taken into account. Over the period, donations from all sources – as reported in the CAUBO report – increased from approximately \$800 million annually to \$1.2 billion, with increased donations from individuals and not-for-profits. Similarly, the Student services expenditure increase does not reflect the change in 'net' expenditures. Ancillary fees have increased markedly over the period and some Ancillary fees are earmarked for Student Services.

part of the CAUBO functional category called 'Administration' registered an increase of 178% and shows a significant increase in the most recent year. External relations, also shows a large increase over time (197%) and in the most recent year.

The COFO data suggests that in Ontario the above average growth in non-academic areas is, in fact focused in Academic support, External relations and Student services. In contrast, Library, Physical plant, Computing and Administration expenditures registered below average increases. The category called Instruction and research increased in line with the average increase although it appears that Medicine was the beneficiary of greater increases – likely due to earmarked funding for enrolment expansion.

**Table 2: COFO-UO Expenditures by Function, select years, (\$000)**

	2000-01	2012-13	2013-14	% Change 2000-01 to 2012-13	% Change 2000-01 to 2013-14
Instruction and research excl. Medicine	1,769,711	3,962,240	4,204,323	124%	138%
Medicine	199,587	538,040	540,211	170%	171%
<b>Sub-total Instruction and research</b>	<b>1,969,298</b>	<b>4,500,280</b>	<b>4,744,534</b>	<b>129%</b>	<b>141%</b>
Total Salaries	1,542,954	3,352,718	3,462,413	117%	124%
Academic Salaries	1,036,505	2,246,504	2,329,426	117%	125%
Staff Salaries	352,725	659,658	683,487	87%	94%
Academic support	151,614	422,033	466,238	178%	208%
Salaries	92,969	264,901	288,157	185%	210%
Library	206,487	322,763	332,886	56%	61%
Salaries	96,533	142,637	145,261	48%	50%
Student services	347,598	909,837	997,808	162%	187%
Scholarships & Student Assistance	216,442	517,235	560,356	139%	159%
Salaries	85,409	259,411	283,518	204%	232%
Computing	112,707	227,319	244,029	102%	117%
Salaries	70,914	155,871	168,768	120%	138%
Administration and general	165,017	353,363	361,572	114%	119%
Salaries	104,637	215,387	226,570	106%	117%
Physical plant	344,391	739,490	770,016	115%	124%
Salaries	111,027	226,219	234,187	104%	111%
External relations	60,618	179,833	196,896	197%	225%
Salaries	35,570	107,500	116,793	202%	228%
<b>Total Operating Expenditures</b>	<b>3,357,730</b>	<b>7,654,918</b>	<b>8,113,979</b>	<b>128%</b>	<b>142%</b>
Salaries	2,130,722	4,692,383	4,890,512	120%	130%
Salaries and Benefits	2,447,808	5,855,683	6,237,047	139%	155%

Table 2 also provides the increase associated with salary expenditures over the period. While salary expenditures, on average, increased by 120% through 2012-13 (130% 2013-14) the functional areas registering the greatest increases were Academic support, Student services, and External relations suggesting both an increase in rates and numbers.

### What is Academic support?

The COFO-UO categorization includes the following:

- Central animal services
- Central shops for instruction and research (machine shop, glass blowing, electronics shop)
- Co-op program administration
- Faculty and instructional support services
- Vice-president Academic (Provost's Office)

- Vice-president Research and research administration (excl. research accounting)
- Registrar's Office
- Distance education support
- Audio-visual support
- Class scheduling

The drivers behind the growth in the Academic support function appear to be tied to a number of factors including enrolment increases, increases in research, and the general expansion of institutional mandates. Institutions have demonstrated greater institutional interest and commitment to 'teaching' and 'research' even though the number of full-time faculty has not kept pace with the increase in student demand. Those commitments, among other things, focus on supporting alternative or complementary academic program delivery systems, establishing/expanding 'teaching and learning centres' and providing administrative support to the research enterprise. At the same time, responsibility for the development of partnerships with communities, businesses, colleges and other universities, and other public institutions/agencies tends to fall somewhere in the category of Academic support as does at least some of the responsibility and expense of satellite campuses. In a 'Provost model' of university administration, the day to day operation of the university is reflected in this particular portfolio via the Office of the Provost. It is also the case that the Academic support area tends to be the locus of quality reviews; a linchpin for quality improvement and an area that has witnessed increased emphasis over the past several years.

Many of the activities in the Academic support are 'new' or have taken on added importance over the past decade or so often prompted by external developments (e.g., program reviews, innovation agenda, tri-council reporting) and/or increased interest in new 'markets' – often with revenue generation in mind (e.g., distance education, internationalization, satellite campuses, internationalization). Many of the new and/or expanded activities in Academic support also tend to be in areas that are more visible to faculty and may appear to be 'heavy' on process and regulation – i.e., the administration of research grants (excluding research accounting that is reported in Administration and general) and academic collective agreements.

### **What is External relations?**

The COFO-UO categorization includes the following:

- all activities pertaining to the external relations, including support of events primarily undertaken for public relations purposes;
- fund raising;
- development office;
- alumni office;
- public relations office; and
- external communications office.

The COFO-UO data suggests that expenditure in the functional category of External relations has increased markedly, reflecting an increase in fund-raising activities but also reflecting heightened interest in public relations and communication. Unfortunately

neither COFO nor CAUBO report the expenditure information separately for those two sub-functions (fund-raising, public relations & communications). As noted previously (see footnote 5), it is also important to recognize that fund raising expenditures do generate revenue; in Ontario over the period, gifts and donations including bequests increased from about \$365 million annually to \$540 million.

The growth in the external communications part of External Relations may also be directly linked to the competitive fund-raising environment and the importance of government relations. University Presidents are considerably more engaged in 'external' events that are geared specifically to raising money – whether that be from private philanthropy or government. Even in provinces where funding formula affect the 'allocation' of provincial grants, there is considerable room for lobbying for special purpose grants and capital grants. Moreover, the federal presence in post-secondary education has increased markedly since the late 1990s and, again, there is considerable room for advocacy and lobbying – whether part of a larger entity (Universities Canada, U15) or as an individual institution. The point is 'external relations' now occupies a more central place in the broader set of 'administrative' activities and the required support for such activities – coordination, communication, analysis, networking, policy considerations – costs money.

### **A look at Student services**

The category of Student services is relatively straightforward and a detailed list of services and activities is available in the COFO or CAUBO guidelines. In the case of Student services the expenditure increase has been fueled by the increase in Scholarships and Student Aid expenditures, associated changes in government student assistance initiatives, increased enrolment, the changing composition and diversity of the student body, and institutional programs aimed at improving various aspects of student life and student learning. Determining the extent of 'cost pressure' is complicated by the fact that some part of the Student services function is generally funded from 'other fees' and therefore not necessarily a claim on core or discretionary operating revenues. The CAUBO and COFO data reflect an increase in gross expenditures – the 'net' would be somewhat lower. Similarly part of the increase in Student service expenditures is directly related to specific government earmarked initiatives in some provinces. For example in Ontario, the government introduced a set of earmarked grants to help fund new access initiatives (first generation, aboriginal, disabilities) and most of the funding would result in increased expenditures in the Student Services area.

The significant increase in salary expenditures in the Student services is consistent with the introduction and / or expansion of services. Some part of that expansion is simply related to the overall increase in enrolment but it is also evident that institutions have had to 'staff up' to deal with

- the impact of larger class sizes and less faculty/student engagement,
- the arrival of the Millennials (and 'helicopter' parents),
- increased numbers of students with disabilities and students requiring accommodation,
- increased numbers of students from under-represented groups, and
- greater emphasis on student mobility.

As noted in a Chronicle of Higher Education article on the topic of growth in student services

“Faculty members typically don't deal with legal disputes, government regulations, athletics compliance, or intervention in mental-health, sexual-assault, or disabilities issues—that's the professional staff's job”<sup>6</sup>

The preceding reference to ‘professional staff’ is of added import because the addition of ‘professionals’ adds to the growth in the salary mass and additional salary pressure in line with other ‘knowledge workers’. A similar comment applies to the External relations and Academic support areas<sup>7</sup> and extends to other areas within an institution. And professional staff, by the very nature of their training, tend to bring a rigour to the job that requires or encourages a more formal regulatory environment – which in turn adds complexity and, very likely, the need for more staff, and contributes to the view that ‘administration’ is ‘heavy’ on process and regulation.

### **Considerations**

So far this working paper has focused on the three areas experiencing above average increases in expenditure and all falling under the umbrella of ‘administration’ – Academic support, External relations, and Student services. There appear to be some explanations for at least some of the growth – both growth in numbers and salaries. With the exception of the Library,<sup>8</sup> however, other non-academic areas have also witnessed more than a doubling of expenditures from 2000-01 to 2012-13. No doubt some of the increase is simply related to inflation, compensation increases, enrolment increases and the increase in research – factors acknowledged previously. Another factor, particularly with respect to the functional area Administration and General is the increased interest in, and calls for, greater accountability and risk management – leading to increased internal audit operations, financial accounting/management and institutional reporting.

The preceding factors are clearly important but do not fully capture the pervasive pressures – internal and external – that characterize 21<sup>st</sup> century ‘multiversities’. The impact on the organization needs to be seen as a cumulative effect – the growth creating its own complexities, adding to the complexity inherent in expanded mandates, and the complexity associated with a more regulated society. The complexity factor

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<sup>6</sup> Patricia L. Leonard, vice chancellor for student affairs at the University of North Carolina at Wilmington, quoted in “Administrator Hiring Drove 28% Boom in Higher-Ed Work Force, Report Says”, Scott Carlson, Chronicle of Higher Education, February 5, 2014.

<sup>7</sup> For an interesting view of the impact of the ‘professionalization’ of some aspects of ‘academic work’ see Glen Jones, “The horizontal and vertical fragmentation of academic work and the challenge for academic governance and leadership,” Asia Pacific Review, published online February 15, 2013.

<sup>8</sup> The major exception is the Library where university libraries have been transformed by technology in many ways. And university libraries are characterized by a cadre of professional and technical staff that tend to work collaboratively across functional and institutional lines. Whether some of the experience in ‘the Library’ can be gainfully used elsewhere to contain costs while maintaining and perhaps improving service is a question that deserves further study.



may, in fact, be one component in helping to explain why the expansion of enrolment and research activity is not a marginal cost proposition.

The increase in regulations and/or the pervasiveness of a regulatory environment are an on-going legacy of many governments over the past twenty years. In addition to legislation related to all sectors of the economy (i.e., tax changes, environmental regulations, safety standards,) as part of the Broader Public Sector (BPS) higher education has been subject to legislation and regulation pertaining specifically to the public sector (e.g., procurement, salary restraint). And higher education has also been subject to legislation/regulation specific to the sector (e.g., research, tuition, program approvals).

Looking inwards, however, universities have also been subject to greater 'regulation' of their own making in the form of internal processes, procedures and policies.

- Some part of the internal pressure for more formal policy is related to the increase in size of the institutions and diversity of faculty, staff and students.
- Another part is related to collective bargaining, the more formal rubric associated with agreements, the general increase in the number of bargaining units over the period, and the (usually) unforeseen time requirement associated with contract administration.<sup>9</sup>
- And some part is no doubt related to the relatively new found interest in risk management.

Regardless of the rationale, an increase in the regulatory environment tends to generate work and a requirement for more staff – often professional staff.

Finally, in the quest for new revenue and/or expanded revenue opportunities universities have taken on added 'business ventures' that invariably require more administrative time, organization, and cost. Satellite campuses, research parks, international campuses, and technology transfer offices are examples of ventures where the prospect of 'more' (more students, more research) is equated with more revenue, more profile, more presence, and more prestige – a clear 'win win'. Except it requires a lot of work and very often generates considerably less revenue and a lot more problems than expected. As Derek Bok, former President of Harvard noted in his book *Universities in the Marketplace: The Commercialization of Higher Education*,

The prospect of new revenue is a powerful temptation and can easily lead decent people into unwise compromises....<sup>10</sup>

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<sup>9</sup> The "high level of unionization in the university sector is an important contextual feature of the nature of the environment in which academic work is performed and developed." (B. Gopaul et al., "The Changing Academic Profession in Canada: Perceptions of Canadian University Faculty on Research and Teaching" 2012).

In a labour intensive 'business', the 'contextual feature' looms over discussions about all key aspects of the academy from workload, salaries, and sustainability, to planning, programs and governance. The topic deserves careful examination to understand the factors that have contributed to the current state and determine ways to improve the labour relations environment.

<sup>10</sup> Bok, D., *Universities in the Marketplace: The Commercialization of Higher Education*, 2003 p. 185

### **Summary and concluding comments**

Much of the growth that is perceived by some to be 'Administrative bloat' can be traced to the impact of significant increases in enrolment and research, the shift in faculty workloads, increased emphasis on labour relations, new initiatives in the pursuit of revenue, profile, and prestige, and/or external pressure related to accountability, regulatory initiatives, and competition. But some of the growth is related to internal factors – the need for more internal regulation, the expansion of unionization/collective bargaining and attempts at revenue diversification and partnership building that often carry administrative overhead. And the increase in some services happens to be in areas that are more visible to faculty – and heavy on 'process' and 'regulation' although the biggest 'gripe' seems to be with the number and level of salary paid to senior academic administrators. It is worth noting that while the term 'Administrative bloat' is used to describe the expansion of administration in general (relative to the Instruction and research function) in the minds and eyes of faculty it is the expansion of senior administration that seems to generate the most disparaging comments (e.g., too many vice-presidents, associate vice-presidents, associate/assistant deans).

While one could make the case that much of the growth in 'administration' is a necessary development in light of the many factors noted previously, there is another aspect of 'administration' that tends to be 'wrapped up' in the expressed concerns about 'Administrative bloat' – the effectiveness or performance of the 'administration'. Some universities have been quick to pursue new initiatives/ventures without necessarily doing the due diligence and examining costs and benefits in detail. When retrenchment happens, institutional reputation and the 'bottom line' are at stake. And universities have been quick to plan new capital facilities without necessarily having a feasible financial plan and then falling back on scarce operating dollars to finance the endeavour. Examples of set-backs and decision-making mistakes take on added 'spin' internally and externally – bolstering the more negative perception of administration.

Further, one could argue that the management of people, the university's key resource, has been less than stellar, a contributor to greater unionization and all the tension and complexity that it entails. Moreover, it is clear that few, if any, institutions have managed the impacts associated with the abolition of mandatory retirement. Finally, although not expressly identified in the CAUBO data, universities are spending tens of \$millions (and perhaps more) each year on severance payment arrangements – perhaps an indicator of human resource practices gone awry.

So is there Administrative bloat? The data indicates that there have been above average expenditure increases in three areas that are part of the broadly defined 'administration' – Academic support, External relations, and Student services. There are, however, explanations for the increases – often related to external factors but sometimes related to internal causes. But, explanation should not be interpreted as justification. How an institution decides to respond to, or be proactive about, a specific internal/external force/initiative is generally in the hands of the administration.

Transparency regarding the inherent trade-offs is a key principle that may help lessen

the perception of 'administrative bloat' but, ultimately, changing the perception is difficult and requires strong doses of communication, goodwill, trust and transparency.

In my view, the claim of 'administrative bloat' is at best a 'half-truth' – particularly in light of the 'complexity' of the university and the increasingly regulated environment. But I fully understand why some faculty may well differ with such an interpretation. Accordingly, best to leave the final word to Stanley Fish...

So, once again, what do you need administrators for anyway? You need administrators to develop and put in place and, yes, administer the policies and procedures that enable those who scorn them to do the work they consider so much more valuable than the work of administration.<sup>11</sup>

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<sup>11</sup> Stanley Fish, "First, Kill All the Administrators", Chronicle of Higher Education, March 21, 2003