

Academic Tenure and the Rising Cost of Higher Education: An Economist's Point of View

**Yu Peng Lin
University of Detroit Mercy**

The tenure system is one of the most debated topics lately in the sector of higher education. It is perceived that strong tenure protections impose significant costs on higher education which in turn leads to skyrocketing fees and tuition. In this article, we argue that academic tenure promotes research especially in those fields with low near-term market return. It also helps to protect grading integrity and maintain the quality of higher education. Our argument suggests that the tenure system helps to lock in costs for universities in the sense that it is akin to purchasing labor under a long-term contract at a low price. Hence, eliminating academic tenure in the hope of reducing skyrocketing college fees and tuition is an unrealistic proposal.

INTRODUCTION

With most universities struggling to keep up with rising costs and technological changes, administrators, as well as the general public, are trying to consider the means that would save money and encourage change on college campuses. During the past three decades, unfortunately, the concept of academic tenure has come under attack from a variety of corners.

In the early years of the twentieth century, professors began to defend their academic freedom and job security. The chief vehicle for this effort was the American Association of University Professors (AAUP) (Ginsberg, 2011). After years of protesting, universities adopted the tenure system in the first half of the 20th century. The numbers were markedly increased in 1994 when Congress prohibited mandatory retirement for the tenured faculty.

Tenure is sometimes said to provide job security for indolent and incompetent professors. College administrators frequently claim that faculty tenure prevents them from more effectively adapting the curriculum to changes in the economy and patterns of student demand (Burgan, 2006). Consequently, it is perceived that strong tenure protections impose significant costs on higher education which lead to the skyrocketing fees and tuition.

However, several recent research efforts suggest that the rising costs may be due to factors outside the tenure system. For instance, Niskanen (2007) argues that university administrators have a strong incentive to maximize the power and prestige of their office by attempting to increase its staff and budgets. One of the common ways to accomplish this would be to invent new functions. Indeed, according to Ginsberg (2011), between 1937 and 1995, administrative costs increased from barely 9% to nearly 15% of college and university budgets. Over the same period, overall university spending increased by 148% and administrative spending increased by a whopping 235%. Yet instructional spending increased only 128% which is even 20 percentage points less than the overall rate of the increase in spending. Hence, it is at

best unclear whether the tenure system is truly the factor that can be considered responsible for the rising costs of college education.

It is also very questionable that eliminating the tenure system would help to make higher education less expensive. In the current study, we argue that there are several hidden facts/truths about the tenure system one needs to consider. Those facts suggest that removing academic tenure can deliver more harm than good to the higher education industry and it is not a realistic solution to the task of reducing the escalating college fees and tuition. However, the tenure system is in need of some “tune-ups”. At the end of this article, we provide a few recommendations that would make the system more efficient. The paper is organized as follows: Section 2 covers the literature review, in Section 3 the hidden facts and truths of tenure are introduced, and Section 4 provides the suggestions and concluding remarks.

LITERATURE REVIEW

According to Lin (2015), during the years 1987-2011, the inflation-adjusted figures for college tuition and fees grew at a whopping rate of 109%— it nearly doubled over two decades! Over the same period, student enrollment increased by 64% while the full-time faculty grew by a comparable 46%. Yet, full-time administrators increased by 80% and professional staff employed by universities increased by a shocking 137%.

Perhaps, in an effort to try to mitigate rising tuition, as of 2011 part-time faculty employment grew by 183% as compared to the level in 1987—a rate which more than tripled the growth of the full-time faculty. The year 2011 marked the first year in the history of higher education that the part-time faculty outnumbered the full-timers (Lin, 2015). Despite the effort, the average tuition fees and fees for undergraduate education nearly doubled over the same years. While the cost savings that the institutions accrued from substituting less costly members for more expensive faculty members may be attractive to universities, students do not reap similar benefits.

The shift from a tenure-track/tenured faculty results from financial pressures, administrators’ desire for more flexibility in hiring, firing, and changing course offerings, and the growth of community colleges and regional public universities focused on teaching the basics and preparing students for jobs (Finder, 2007). In fact, many state university presidents say tight budgets have made it inevitable that they turn to the contingent faculty to save money. Indeed, employing the contingent faculty is one of the easier and arguably the most convenient way of dealing with those pressures. According to Sowell (2008), in 1975, 37% of college and university faculties were full-time, tenured faculty members, and an additional 20% were full-time faculty members who were on the tenure track. However, by 2003, only 35% of all faculty members were in either tenure or tenure-track positions, while 46% were in part-time, non-tenure positions, and an additional 19% were in full-time, non-tenure positions. In short, tenure was out of the picture for nearly two-thirds of all faculties.

In his 2011 book, Ginsberg further documented that only about 30% of the current professorate is tenured or even on the tenure-track. The remaining 70% are hired on a contingent basis and can be dismissed at any time. Nearly two-thirds of the nation’s faculty consists of “adjuncts”, individuals hired to teach on a year-to-year, semester-to-semester, or even course-to-course basis. Since adjuncts are much cheaper than tenure-track or tenured faculty, there is every reason to believe that adjuncts will continue to replace the full-time faculty at most of America’s colleges and universities. Within a few decades, it is likely that only a very small percentage of faculty members, mainly at elite schools, will hold tenured or tenure-track appointments.

While the growing numbers and proportions of non-tenure faculty appointments relieved the financial pressure on colleges and universities, quite contradictorily, the tuition rate is still soaring at an increasing rate. The shift to the contingent faculty has not led to lower tuition costs for students and parents. Instead, we believe, the use of the less expensive faculty has allowed universities to employ more administrators and to pay them more which leads to the skyrocketing fees and tuition. These sizeable employment increases in the categories of administrators and professional staff translate their costs onto students to a much more substantial degree than the tenure system does.

Looking at these figures, it is difficult to credibly relate the rising costs of obtaining a college education to the tenure system. The facts do not support tenure as being the main factor leading to the climbing fees and tuition. In fact, it is quite the opposite; we believe that tenure helps to lock in costs for universities in the sense that it is akin to purchasing labor under a long-term contract at a low price. This is due to the fact that once professors have tenure, they are very likely to become immobile, and their employers (i.e. universities) respond by offering pay raises that typically cover inflation at best. Therefore, eliminating tenure can do very little to stabilize the surging fees and tuition but may instead lead to very harmful effects in the long run. Relying too heavily on the contingent faculty is playing a really dangerous game. In the following section, we argue three facts/truths of the tenure system. In particular, we contend that academic tenure, in fact, serves as the cost control as well as the quality control mechanisms in the sector of higher education.

HIDDEN FACTS AND TRUTHS OF ACADEMIC TENURE

Universities attempting to substantially reform or abolish the tenure system in an attempt to lower costs need to know the following facts about tenure.

Research

The strongest justification for academic tenure is that it enables scholars to acquire deep expertise in specialized areas that have limited payoff elsewhere in the economy. This is particularly true for those people with very specific and unique research agendas/topics such as humanities and pure sciences scholars. Without tenure, universities will have substantial bargaining power over faculty members and hence make the faculty unwilling to engage in socially valuable research and teaching, which will result in low market returns. In other words, with tenure protection, professors would be free to conduct research, write books and papers, and give speeches without the fear of losing their jobs. A free faculty would more effectively advance human knowledge, provide better instruction to students, and promote public service. For most professors, tenure is an opportunity to work on intellectually exciting projects without the pressure of abandoning important lines of inquiry simply because no immediate conclusion or pecuniary return is in sight (Ginsberg, 2011).

Further, without the expectation of job security, potential students with strong interests in the above-mentioned fields would be adversely discouraged from pursuing their interests. Their attention will be forced on the areas that can yield better market return. As a result, our society, as well as the economy, will have much less diversity. Hence, for this very reason, tenure serves not only the professors but the entire society.

Grading Integrity and Enrollment Responsibility

Since universities hire administrators to oversee their operating businesses such as budgets, recruitment, etc., presidents and deans point to improved enrollment as a proxy for their contributions to educational success. Hence, we contend that student enrollment can hardly be ascribed to the faculty's responsibility. Nonetheless, a faculty who tries to maintain higher educational standards and exercise a better degree of grading integrity but jeopardizes enrollment numbers runs the risk of becoming unfavorable personnel in the eyes of administrators. Unfortunately, there is no universal consensus on the definition of the appropriate failing rate. It usually varies with schools' enrollment scenarios. Moreover, in our understanding, there is neither a transparent procedure that serves as a mechanism for justifying a failing ratio with academic integrity. While academic standards and enrollment clash, the administration often leans toward the side of enrollment. As a result, exercising more rigorous grading integrity may hurt faculty members' career perspectives if they are not protected by tenure. The faculty will be at the mercy of the administrators and school boards who hire and fire at will.

Grading integrity is of further concern given the fact that most universities exercise an annual evaluation practice on faculty members. Such an evaluation is usually based on a faculty's contributions to three categories: scholarly activities, teaching, and service. The student teaching evaluation score is the

primary source of data that is utilized for evaluating a faculty member's teaching effectiveness. Hence, the unpopularity of professors who give low grades is usually reflected in unfavorable student evaluations at the end of a course, which in turn can negatively affect their career advancement, especially for young faculty members who have not yet achieved tenure. As a result, without tenure protection, in order to keep their positions, the faculty will have to "please" the students as well as the administrators. Dropping grading integrity or grade inflation is a natural outcome for the price of lowering the overall quality of higher education. This is particularly serious in smaller colleges since each student represents a more substantial fraction of the school's revenue than those at larger universities. This is further compounded by the fact that students who have a higher likelihood of failing are often those who are less prepared for a college education and hence are unlikely to be the recipients of academic scholarships. These will be the students who make a great contribution to a school's revenue due to the full tuition fees they paid. Failing those students would be politically and economically unpopular on campus. A faculty who tries to maintain a rigorous grading standard without paying attention to the school's enrollment conditions is on the cusp of jeopardizing his/her employment prospects if they are not protected by academic tenure. Even in those large public universities, with continuous declining state budgetary support, failing un-prepared students is becoming less affordable even for the reasons of maintaining educational quality. Therefore, from this perspective, tenure serves as an important mechanism to guard the quality of college education and hence prevent an institution becoming a diploma mill.

The Cost of Obtaining Higher Education

As discussed earlier, abolishing academic tenure is an unrealistic answer to the attempt to reduce the rising fees and tuition in the sector of higher education. We believe quite the opposite, that abandoning the system would steepen the escalating fees.

It is a known fact that in most fields (if not all) a faculty position yields lower economic return than comparable positions in the private sectors. In many fields such as accounting, economics, finance, engineering, and quantitative social sciences, the outside opportunities can lead to salaries of many multiples of most academics' pay. Professors trade low pay for non-monetary aspects of compensation, such as the job security provided by the tenure system. The tenure system, as a result, helps to lock in costs for universities since once professors obtain tenure, they become immobile in most cases. Universities in turn happily respond by offering pay raises at a level that just covers inflation. In the absence of tenure, professors will be forced to act like the rest of the labor market: mobile and, therefore, able to command compensation at current market rates. As a result, universities will be competing against industry for labor. If the market achieves equilibrium, the fundamental economics principals tell us that universities would be compensating their faculty members at a rate higher than the current level. Thus, it is very questionable how the outcome of the market competition would help to reduce the skyrocketing cost of higher education.

Although in our understanding there is no current research attempting to estimate the level of faculty compensation which may be adjusted if tenure was removed, the following figure may provide a hint. The Teach for America alumna has sparked controversy by proposing a new contract allowing K-12 teachers to earn as much as \$130,000 if they forgo their tenure rights. The proposed figure is a substantial departure from a teacher's average salary of around \$48,000. Although it is unclear how the proposed figure was computed, it suggests that there is a monetary value on tenure. To come up with the value, one has to incorporate the market competition as described earlier. The value nonetheless suggests that teachers are willing to trade a certain amount of monetary payoff for tenure or job security. In other words, if the tenure system were to be abolished, schools would have to face the market competition which will lead to much higher salaries for teachers. Hence, we are not sure how schools can save money by eliminating academic tenure.

Even in those fields where professors lack many options in the private sectors, eliminating academic tenure will not promise bargaining power for the universities. The absence of academic tenure will very likely discourage those potential students who have great interests in those areas from pursuing their passion. One of the possible and perhaps the least serious outcomes would be a smaller supply of scholars

in those unpopular fields and hence, universities would have to raise their wages if they wish to maintain the program diversities on campus.

CONCLUDING REMARKS AND SUGGESTIONS

In this study, we argue that while there is some truth in the criticisms of the tenure system, it remains a fact that the system delivers some valuable contributions to the higher education industry. It promotes research and teaching in those fields with a low expected market return, it helps to guard the quality of higher education and hence prevent an institution becoming a diploma mill, and it enables universities to lock in high running costs. Collectively, we contend that eliminating the system in the hope of reducing the skyrocketing college fees and tuition is an unrealistic proposal. Once job security is removed from academic careers, colleges and universities will be forced to compete against the industry for labor. Escalating costs is not a surprising outcome.

However, the system itself indeed needs some improvements to address those criticisms. A tenure contract should be modified to include some required minimum teaching and productivity standards. Generally, those who have achieved tenure are excellent, or, at least, promising, scholars and teachers whose commitment to their work does not end when they acquire job security. However, sometimes mistakes are made in the tenure-granting process. There are indeed some lazy and incompetent tenured professors who drone through the same lectures year after year or who do not bother staying current in their own fields. Maintaining a minimum standard in teaching and research productivity can help to mitigate this shortfall.

The contract should undergo a serious periodic review and incorporate more liberal provisions such as a tradeoff between research productivity and teaching assignments. While, as a well-known fact, research effort/productivity declines with age, teaching requirements should increase at the very least. Lastly, a tenure contract should also incorporate an exit mechanism. A periodic review by the same-field professionals, either internal or external to the institution should facilitate a rigorous competence report on the faculty member. The institution then should seriously consider the report and make necessary recommendations (either improve or exit) to the faculty. After all, the security implied by academic tenure comes from competence and currency within the discipline.

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