American Association of State Colleges and Universities

A Higher Education Policy Brief • July 2010

Outsourcing Instruction:

Issues for Public Colleges and Universities

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Context

In the face of rising budgetary pressures, mounting calls to increase the number of adults with postsecondary credentials, critical enrollment capacity issues, and escalating competition from the for-profit sector, public college and university officials are increasingly exploring a new and controversial frontier in higher education—outsourcing instruction. Though virtually unheard of a decade ago, such outsourcing is beginning to gain traction in select locations around the nation.

Outsourcing—defined as an "institution's decision to contract with an external organization to provide a traditional function or service" (IHEP, 2005)—is nothing new to higher education. For decades, institutions have been "contracting out" or "privatizing" a variety of operational functions, hoping to reduce costs, improve service quality, acquire specialized expertise and increase customer satisfaction. However, never before has outsourcing functioned at the core of the academic enterprise—the teaching of students in credit-bearing courses and degree-granting programs.

Research on outsourcing by colleges and universities is relatively limited, but available data suggest that outsourcing instruction was not on the radar screen as late as the early 2000s. A survey of attendees at a 2002 National Association of College and University Business Officers (NACUBO) conference found that over 90 percent of higher education institutions used some outsourcing, nearly 10 percent more than the decade earlier (IHEP, 2005). The majority privatized food services and bookstores, and most institutions outsourced multiple functions. Documenting the appeal of this practice, over 70 percent of respondents stated they would consider outsourcing all 20 services listed in the survey; however, most significantly—and serving as a testament to the practice's relatively new emergence—the survey did not even inquire about the outsourcing of instructional services.

An exploratory study of outsourcing at community colleges in 2003 found only three institutions that contracted out for credit-bearing courses, all of which required highly-specialized or proprietary knowledge or equipment (NCPI, 2003). The authors reported having to do considerable searching to find even these three examples, and they concluded that outsourcing credit instruction was rare. Outsourcing non-credit or continuing education courses for working adults, such as training in preparation for high-demand IT industry certifications—a practice normally confined to a separate administrative division and not at the core of the academic enterprise—proved far more common.

The higher education landscape has been changing, however, and higher education leaders are witnessing—to varying degrees—a transformation of traditional academia. One trend is increased competition from the for-profit sector, which, according to the National Center for Education Statistics, now makes up about 8 percent of undergraduate enrollment and constitutes the most rapidly growing sector of postsecondary education in terms of percentage growth. The for-profit sector now dominates certain online master's degree programs, such as education. As these large corporate entities carry out aggressive student recruitment campaigns, public institutions feel the pressure—and the need—to develop their own market-responsive alternatives. A second trend is that a majority of today's students earn credits toward a degree at multiple institutions, and institutions routinely accept many kinds of credits earned externally, not under the control of the institution's faculty. While Cliff Adelman coined the term "swirling" to describe students' increasingly complex enrollment patterns at multiple institutions, the trend of the future may be "super swirling," in which students amass credits from many different providers—perhaps 10, 15 or even more. These include credits earned by high school students through Advanced Placement and dual enrollment; transfer credits from many types of institutions; credits granted for prior work, military and other life experience; and credits earned online through public state and regional virtual universities. Outsourcing to private sector companies could be just one more variable in the mix. Finally, higher education has witnessed tremendous growth in the use of adjunct and other non-tenure track faculty, reducing the number of full-time faculty hires and affecting the traditional tenure-based employment system. Though not defined as "outsourcing" since contingent faculty operate under the direct control of academic departments, this trend changes the nature of the student-faculty relationship and affects how students are taught. Contracting out to for-profit companies for instruction may be just the next step in this process.

In sum, facing intense financial pressures and in a changed, highly competitive environment, institutional decision-makers are making different calculations than in the past, and some have begun to view the outsourcing of instruction more as an opportunity than as a threat. This paper explores academic outsourcing as it exists today. It presents examples of different types of public-private partnerships, summarizes arguments for and against outsourcing, and delineates factors administrators should take into account when considering this option.

Observations

Institutions have established public-private partnerships to help develop online and specialized degree programs in a timely and cost-effective manner. Possible benefits include expanding institutional markets and increasing tuition revenues, better meeting regional workforce needs, and providing particular programs of interest to students.

Though the specifics vary depending on the actual contract, the institution's faculty is typically responsible for the academic content of such programs. The private partner, in turn, offers its technological expertise, student support services, and marketing and recruitment resources. Regionally accredited public colleges allow the private—typically not accredited—partner to benefit from a ready-made structure through which to offer its product and, in turn, generate profits. The public and private partners share program revenues according to an agreed-upon arrangement. Although the company typically receives the majority of the tuition revenues, the university still stands to gain substantial revenues both from resident and non-resident tuition dollars and possibly through increased state appropriations if based on enrollment (*Inside Higher Ed,* 3/24/09).

In 2007, still suffering from the effects of Hurricane Rita two years earlier, Lamar University (Texas) entered into an agreement with Higher Ed Holdings (HEH), a Texas-based company, to develop online graduate programs in education. The company made an appealing offer, promising "dramatic enrollment increases for Lamar at virtually no up-front cost to the institution" (*Inside Higher Ed,* 3/24/09). Lamar's faculty would control admissions and curriculum content, while the company would offer an online platform, use advanced marketing techniques to recruit students from a national market, and provide "academic coaches" to interact with students and handle course grading. The online degrees would cost students about 60 percent less than comparable classroom-based degrees, and could be completed in 18 months rather than 24 months.

In the first year, graduate enrollment in the College of Education grew to 4,173, an increase of nearly 225 percent, leading to the hiring of six new faculty members and additional staff.

In 2008, three other universities formed partnerships with HEH: Arkansas State University (to develop a master's degree in education), the University of Texas at Arlington (to develop education and nursing programs) and Ohio University (to develop a nursing degree) (I*nside Higher Ed,* 3/24/09). The arrangement at Arkansas State has received decidedly mixed reviews, engendering intense faculty objections due largely to lack of faculty involvement in the early stages of the negotiation process. However, despite the early objections, faculty voted 10-6 a year later to expand the partnership and offer two more master's degrees through HEH.

A defeat for the outsourcing model took place in 2009 when the University of Toledo (Ohio) rejected a deal with HEH to develop two online master's in education programs. Though the programs would cost students about half that of similar on-campus programs and would offer a compressed time frame, faculty strongly objected to their president's "business orientation" and stated that the program emphasized "profit generation over quality" (*Inside Higher Ed,* 4/4/09).

Bristol Community College (Mass.) recently contracted with Princeton Review to pilot new fast-track allied health care programs in several high-demand fields. Unlike the HEH model, these programs will cost students *more* than existing programs, but less than what typical for-profits would charge. This is a key selling point, as these courses benefit students who are able to afford the higher tuition and can therefore bypass waiting lists for popular programs. Bristol faculty will teach these courses, which, though primarily offered online with Princeton Review's technical assistance, will use the college's accreditation. Investing $2 million in the partnership, Princeton Review is adding new lab space near campus, and will run labs at night. Because of the size of the programs, the college expects to hire more adjunct faculty to help staff the programs. The faculty union has expressed concerns about use of part-time faculty, compensation amounts and added costs for students, and would like to slow down this process. The college president has committed himself to it, noting "in this age of scarce resources and burgeoning enrollments, we're just not going to get money from our state. I think public-private partnerships like this one are the wave of the future" (*Inside Higher Ed,* 3/23/10). He would also like to see additional partnerships in other programs for which there are long waiting lists. Meanwhile, Princeton Review is having discussions with other community colleges in Massachusetts and in four other states to replicate the model if deemed successful.

Other colleges have begun to outsource instructional programs to a growing number of vendors that have emerged over the past decade, offering varied approaches and specializations. California State University, Los Angeles; Albany State University (Ga.); Alcorn State University (Miss.); and community colleges in Kansas and Ohio have partnered with Learning House, Inc.—an online provider established in 2001 which partners primarily with small, private colleges (over 70 in 20 states). The University of Southern California (USC) has partnered with "2tor," a company that targets highly selective institutions, to offer a state-of-the-art online Master of Arts in Teaching. Based on its success to date—enrolling 800 students in a program with a $40,000 price tag—there are now plans in the works for a virtual Master of Social Work program at USC. Several institutions are partnering with *The New York Times* Knowledge Network to offer online certificate programs. These include Ball State University's (Ind.) emerging media journalism certificate, the City University of New York's immigration law certificate, and Thomas Edison State College's (N.J.) programs in paralegal studies and nurse paralegal studies. (*The New York Times* Knowledge Network partners with a much larger number of colleges and universities to offer non-credit adult and continuing education courses.)

Outsourcing instruction of individual courses to the private sector can help institutions expand markets, meet capacity issues and shorten time to degree.

In this model, unlike the program-outsourcing model described above, the for-profit company develops and administers the entire instructional package and may provide an online platform, offer student support services, and provide marketing and recruitment services. The institution's faculty are not responsible for course content or teaching, but rather agree to offer credit for successfully completed courses. The institution's faculty still maintain control of degree programs overall and teach all courses in the major field of study. At this time, institutions only outsource general education courses—courses that students often complete elsewhere through a variety of means and providers.

Two variants of this model have emerged thus far. Fort Hays State University (Kan.) is one of seven institutions nationally that have contracted with Straighterline—and the only traditional public four-year university to do so. (Among the seven are two fully-accredited online public universities—Charter Oak State College [Conn] and Western Governors University—as well as one community college in Kentucky and one in Florida.) Straighterline, spun off of Smarthinking (an online tutoring company) in 2008, currently offers nine entry-level college courses online. Students pay Straighterline a monthly fee of $99, plus $39 per course—significantly less than regular college tuition; the partner colleges agree to award credit, even though Straighterline is not an accredited institution. Not surprisingly, the move at Fort Hays has been controversial, with considerable criticism by faculty and students. Opponents question the quality of the courses and argue that it devalues the university. Proponents contend that the company has expertise in teaching and online support of introductory courses. They say it makes good business sense since it costs less than having regular university faculty teach these courses. Further, they argue, because students from around the country can take courses from Straighterline and have them transcribed for credit at Fort Hays, this may encourage them to later enroll in the institution, bringing added revenues (*Inside Higher Ed,* 3/31/10).

A second course-outsourcing model is illustrated by the Memorandum of Understanding signed in 2009 by the California Community College Chancellor's Office and Kaplan University, a fully accredited for-profit online provider. Under this agreement, community college students can take online courses from Kaplan at a 42 percent discount from Kaplan's regular cost to fulfill some of their associate degree requirements; however, even with the discount, Kaplan courses are considerably more expensive than community college tuition rates. Each college can specify exactly which of Kaplan's many available courses can meet these requirements. Currently, this is being piloted at a limited set of institutions. Proponents of this plan see it as a possible partial solution to the state's enrollment capacity problem, though not an ideal one; given sharp reductions in state support and inability to meet demand for courses, the agreement makes it possible for some students—albeit those willing to pay the higher price—to make faster progress toward degree completion. Opponents see it as a failure of state policymakers to provide affordable higher education to the residents of California and feel it is unrealistic to expect many students to choose this expensive option. Another issue is that it is not entirely clear whether credits earned through Kaplan will be fully transferable to the California State University and University of California institutions. Currently, individual campuses of the University of California system may determine which community college credits they accept (*Inside Higher Ed,* 5/26/10).

Outsourcing portions of the instructional function can improve student success and retention, increase enrollments and reduce costs.

Hoping to improve student learning and retention while controlling costs, many colleges are turning to for-profit companies to provide online tutoring and academic support. Smarthinking, for example, currently provides such services to about 300 colleges and universities. Institutions purchase a block of tutoring hours, and the company offers a "virtual learning assistance center" through which students can connect with live tutors 24 hours a day. According to its website, Smarthinking has also contracted with at least nine state agencies. In 2009, the Florida College System (community colleges) used a portion of its federal College Access Grant to purchase 34,000 tutoring hours; all colleges within the system in turn received a discounted rate for tutoring services, giving smaller schools the same financial advantage as larger schools. Also in 2009, a New Jersey Public Higher Education/Smarthinking Buying group was formed, facilitated by Thomas Edison State College, through which all public two-year and four-year institutions in the state can purchase tutoring in a cost-effective manner.

Somewhat more controversially, some colleges have begun to outsource course grading, though it is unclear how prevalent this practice is (Chronicle of Higher Education, 4/4/10). "Virtual TA"—a service of EduMetry

Inc. located in a Washington D.C. suburb—offers this function, but most of its graders live in India, Singapore and Malaysia. Professors retain control of the grading process, providing syllabi, textbooks and scoring rubrics. Trained in the use of assessment rubrics, graders provide scores and written comments to students, while professors determine final grades for the assignment. Students benefit by receiving more feedback than courses may typically provide; additionally, professors receive a summative report on overall class performance, which they can use to address learning gaps. Despite these strengths, many criticize the total lack of direct communication between assessor and student. Also, it can be expensive, with an average cost of $12 per student for a typical assignment (cost varies depending on length and complexity). At least one institution has been happy with the results. West Hills Community College (Calif.) uses Virtual TA for just one section each of three online courses, and instructors have noted a strong positive effect on course completion. One professor noted, "Before [using Virtual TA], I would probably lose half of my students. Because Virtual TA provides detailed comments about grammar, organization and other writing errors in the papers, students have a framework for improvement that some instructors may not be able to provide."

Commonplace in Australia and Britain but new to the United States, a third example of limited instructional outsourcing involves working with private companies to recruit and prepare foreign students. The appeal of attracting large numbers of new international students paying non-resident tuition has fueled this idea. In 2008, Oregon State University became the first American college to contract with INTO University Partnerships Ltd, a British company. In collaboration with the university, the company administers a yearlong "pathway" program on the campus, providing marketing, recruitment and operational support. The university is a partner in developing academic services that prepare students for admission to the university, takes a cut of the revenues and may later enroll these students in degree-granting programs. Oregon State hopes to double its number of international students by 2014 and to earn about $25 million annually after five years (*Chronicle of Higher Education,* 8/18/08). The University of South Florida entered into a similar agreement this year, hoping eventually to attract 1,000 new international students annually.

The evidence to date offers strong arguments both for and against outsourcing instruction, but it is too early to reach any solid conclusions.

Arguments in support of outsourcing include the following:

- **Cost-effectiveness.** By taking advantage of economies of scale, outsourcing can provide higher-level capabilities to an institution at a lower cost than doing the same work in-house. This applies particularly to developing online courses and programs.
- **Speed.** Again, because it is based on existing expertise, outsourcing can enable institutions to respond faster to expressed needs and capacity issues.
- **Added expertise.** It can provide specialized instruction to meet a specific niche, and instruction can be kept up to date, especially in rapidly changing fields.
- **Technological advantage.** Companies that specialize in online education offer an advanced technological platform well beyond the capabilities of many institutions.
- **Improved quality.** It can provide a consistent level of quality and predictable outcomes. Unlike traditional coursework where faculty have total control, there are agreed-upon goals and built-in accountability.
- **Customer service.** It can provide greater convenience for students and better instructional support; this may increase learning and retention.
- **Access to capital.** As part of the partnership agreement, the company may raise capital and invest in equipment, technology and facilities on campus.
- **Market competitiveness.** It can help institutions compete with the for-profit sector, using online delivery to increase enrollments and grow the institution.

Arguments against outsourcing are equally compelling:

- **Conflicting cultures.** The profit motive is incompatible with academic culture and it devalues education. The best interests of students and faculty will be thwarted if companies cut corners to increase profits.

- **Equity issues.** This occurs when outsourced programs and courses cost more than traditional ones. Outsourcing compromises access and affordability for those students most in need.
- **Diminished faculty roles.** There is danger of faculty losing control of curriculum content, pedagogy and assessment.
- **Threat to jobs.** There is a threat to faculty jobs and negative impact on morale.
- **Student resistance.** There may be increased problems between the administration and student groups.
- **Quality concerns.** Quality is uncertain at best, and students may lose valuable personal contact with faculty.
- **Mission.** Institutional mission may inadvertently be changed, and historic public missions may be put in jeopardy. At worst, institutions may be turned into diploma mills.
- **Uncertain financial benefit.** The financial gain to institutions is unclear, and for-profit entities may be benefitting at the expense of students and taxpayers.

Institutional leaders need to take into account a number of factors when making decisions about outsourcing instruction. These include the following:

Issues related to the institution's faculty:

- When and how to involve faculty in decision making about outsourcing.
- The extent to which faculty will control program or course content, grading/assessment and program admissions.
- Who will teach outsourced courses or programs; anticipated impact on tenure-track and adjunct faculty jobs.
- The nature of the ongoing relationship between the faculty and the company after the initial course or program is developed; whether faculty can continue to be involved.
- How faculty will be compensated for collaborating with the for-profit company.

Quality issues:

- Ways in which outsourcing may be used to improve instructional quality; ways to avoid diminishing the quality of instruction.
- Qualifications of the company's instructors and support personnel.
- How quality will be evaluated.
- How the nature and amount of student feedback will be affected.

Issues related to students:

- How students are performing in outsourced courses and programs; whether course completion and retention are affected; whether outsourcing courses can be used to reduce time to degree.
- Whether outsourced courses and programs are more or less affordable than traditional programs; whether equity is diminished by outsourcing.
- How to make outsourced courses and programs more convenient for students, including online delivery, availability of support services and scheduling flexibility.
- Whether students will continue to have access to and/or personal contact with regular faculty.

Finance issues:

- Whether there are upfront direct costs to the institution.
- Whether the institution is taking any financial or other liability risks, or primarily stands to gain if successful.
- Whether and how much additional revenue the institution expects to gain, through tuition revenues, state appropriations and new markets; how tuition revenues will be split.
- Whether the company will make any other investments in the institution, such as facility enhancements.

Management and accountability issues:

- What campus needs are being addressed by outsourcing; what alternatives exist; whether outsourcing represents the best method for meeting these needs.
- Finding and working with appropriate vendors. Developing and managing the contract, including what services are provided by the company, how revenues are split, and whether products are licensed or purchased.
- What mechanisms will be established to measure outcomes and ensure accountability.

Other issues:

- Recognition of the difference between corporate and academic cultures, and how to keep the company's for-profit culture from compromising the institution's academic culture.
- Whether institutional mission is being changed, for example shifting from a regional institution to one with a potentially large national online enrollment.
- Potential broader impact on reputation, especially of contracting with non-accredited providers.

Conclusion

In today's changing world, public colleges and universities must be prepared to re-structure and adapt as needed in order to survive and prosper. They need to use good business sense and be open to innovation, even as they preserve and promote their historical public purpose-oriented mission and core functions. This paper has presented one small but evolving practice—outsourcing instruction—that offers potential benefits to public institutions if used in moderation and done properly.

Higher education leaders should pay attention to these developments and move cautiously in implementing such actions, fully considering the range of issues presented here. They should expect to face challenges if entering this relatively uncharted territory. Most important, the higher education community needs to collect and share outcomes data pertaining to this new phenomenon in order to develop a better understanding of what works and does not work, and for what purposes and under what circumstances. Though the jury is still out on outsourcing instruction, it is reasonable to assume that partnerships with the private sector for instructional delivery will continue to grow in number and variety, with the future revealing many new, not-yet-anticipated results.

Resources

Reports:

Institute for Higher Education Policy (IHEP). *Is Outsourcing Part of the Solution to the Higher Education Cost Dilemma?* (2005) **aramarkhighered.com/assets/docs/outsourcing/IHEP%20Outsourcing%20White%20Paper%209-05.pdf**

National Association of College and University Business Officers (NACUBO). *The Business Value Web: Resourcing Business Processes and Solutions in Higher Education.* (2003) (available for purchase) **nacubo.org**

National Center for Postsecondary Improvement (NCPI), Stanford University School of Education (2003). *Outsourcing of Instruction at Community Colleges.* **stanford.edu/group/ncpi/documents/pdfs/CCRC%20pub.pdf**

University of Wisconsin System (2002). *Outsourcing Services at UW Institutions.* **uwsa.edu/audit/outsourcing.doc**

Selected articles:

The Chronicle of Higher Education **chronicle.com**

August 18, 2008: "Colleges Work With Private Companies to Prepare Foreign Students"

April 4, 2010: "Some Papers are Uploaded to Bangalore to Be Graded"

May 30, 2010: "American Colleges Look to Private Sector for Global Recruiting"

Inside Higher Ed **insidehighered.com**

March 4, 2009: "Deal Dead in Ohio"

March 24, 2009: "So Many Students, So Little Time"

March 31, 2009: "Revolt Against Outsourced Courses"

March 23, 2010: "To the Front of the Line"

April 15, 2010: "A Strategic Leap Online"

May 26, 2010: "California's Deal With Kaplan"

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