

White Paper Series

Privatization of University Services

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Outsourcing and privatization of university services has experienced a history of mixed views, both positive and negative and everything in between. However, as costs continue to rise on nearly all aspects of higher education, many universities and private enterprises are taking a second look at new and more innovative ways to economize through privatization, a step beyond “outsourcing.” Bookstores have been an area ripe for privatization and some of the larger bookstore vendors are well into the market, e.g., Barnes and Noble. Parking is now on the table with places like Ohio State taking an aggressive stance by privatizing its parking facilities and services. Transportation is being turned over to local transit systems across the country; good business for both the transit system and the universities. University landscaping and custodial services are increasingly being considered for outsourcing and privatizing. Still other areas are becoming possible targets for privatizing that would not have been thought of five or ten years ago. The truth of the matter is, the old ways are not working for universities and students in terms of cost. New ways have got to be looked at and universities are about a decade late in coming to this point of view.

Following are some observations about privatizing university services and other functions that should be considered carefully as universities seek to find effective ways to greater efficiency that is sustainable.

Observations:

1. Privatization is a major topic among major universities as they look for options and ways to cut costs, save money and slow the growth in tuition rates.
2. Universities have had both good and bad experiences with privatization and seem happy to share their experiences as some of the following articles attest.
3. The body of empirical literature does not appear to be very large which limits generalization about privatization. Most of the literature is antidotal or case study of one or a few institutions.

4. Privatization of some services are more visible than others (e.g., bookstores) and can cause campus response.
5. Universities often bring in (highly paid) consultants to advise them on the savings they might achieve through privatization.
6. Depending on the function or service being considered for privatization, unions may become quite vocal and politically active to slow or stop the process.
7. This is a major point: With the continuing cuts and reductions in state subsidy, the arguments for privatization grow stronger. Some major universities (e.g., Virginia that gets 8% of its budget from the Commonwealth) argue that the cuts are pushing universities to function more like private institutions. This is a valid point!
8. Outsourcing and privatization are very important, major decisions that few, if any, boards of trustees are qualified or competent to decide. They need guidance from those with expertise and should not “go it alone.”
9. States should offer their assistance in helping to determine how best to approach such decisions but always encourage institutions to be aggressive in their search for ways to cut costs and slow the growth in tuition rates. Keep students in mind at all times!
10. Someone in the State or System offices should be assigned to read this literature and try to become an in-house expert to advise the Chancellor and Governor on this topic, which is growing in importance.

There is a growing body of literature on privatization of university services that can help serve as a guide for planning and implementing this approach.

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