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Retrenchment in British Universities: Lessons Learned

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ABSTRACT

The 43 British universities conducted a mandated budget and enrollment retrenchment over the 1981-84 period. This exercise required that the universities achieve budget restrictions ranging as high as 40 percent. No major North American research university has in recent history been forced to undergo such a severe retrenchment. This presentation is a report of a four-month field study conducted by visiting 14 British universities, selected in part, by the size of their mandated reduction. The emphasis of this report is on successful policies, procedures, philosophies, and techniques that may be applicable to other institutions of higher education, irrespective of nationality.

RÉSUMÉ

Les 43 universités britanniques se sont vu imposer des réductions de budget et d'inscriptions pour la période allant de 1981 à 1984. Cette épreuve se traduisit pour plusieurs par une réduction budgétaire variant de 25 à 40%, ce qu'aucune université nord-américaine n'a eu à subir récemment. Cet article est le fruit d'une étude qui a duré 4 mois et qui consistait à visiter 14 universités britanniques, sélectionnées en partie selon l'importance de la réduction qui leur était imposée. Le rapport met l'accent sur leurs réussites en matière de politiques, procédures, philosophies et techniques qui pourraient s'appliquer aux institutions d'enseignement supérieur de n'importe quelle autre nation.

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INTRODUCTION

University retrenchment has, in recent years, become a widely discussed topic both in North America and Europe. The relevant literature on this issue is not fully apparent unless one recognizes that retrenchment is a process that extends itself across many seemingly discrete topics, each with its own extensive literature. The retrenchment process begins with a special form of planning that involves the *a priori* acceptance of the fact that constrained resources compel the university to reduce its size, its institutional expectations, or both. Once accepted, this objective creates problems and complexities that are unique to retrenchment planning; nevertheless, one must certainly be abreast of the current thought on planning as a general process. Both Keller (1983) and Cope (1981) have stimulated much interest, both here and abroad, in the general concept of strategic planning. Likewise, Hopkins and Massey (1981) have convincingly shown that many planning issues are so complex as to require the use of computer models. Bélanger and Tremblay (1982) provide an illustration of the intricate methodology that is often required to support retrenchment planning. Many useful discussions of retrenchment have been written, notably Deutsch (1983), Moore (1978), and Mortimer (1979).

At this point the retrenchment process becomes much diffused. The need for scaling back the university operations usually carries the implication that some units must be discontinued or curtailed. This, in turn, necessitates a procedure for reviewing programs which involves, among other considerations, the assessment of quality. Program review and discontinuance have in recent years received considerable attention and here the reader has a wide array of writings from which to select (Brown, 1970; Davis and Dougherty, 1984; Dougherty, 1981; Hardy, 1984; Harris and Holdaway, 1983; House, 1982; Mims, 1980; Shirley and Volkwein, 1978; Skubal, 1974).

The related and very difficult issue of quality assessment is also receiving more study each year. One should read enough to gain an appreciation of the difficulties inherent in any judgment of quality (George, 1982; Lozier and Althouse, 1982).

Having both read widely on the issue of retrenchment and experienced an extensive retrenchment at Michigan State University, the author has come to believe that the literature is missing a vital component – the type of article that conveys a sense of what practices work and what well-founded operations do not work within the extremely tense and hostile atmosphere that often prevails during a sizable retrenchment. Observations of this type are frequently developed within case studies and as of this date there are but few published accounts (Melchiori, 1982; Moore, 1978; Simpson, 1983). More are needed if we are to gain important insights into the human and political aspects of retrenchment. This conviction, in part, motivated the study summarized by this paper.

THE STUDY

On July 1, 1981, the British government mandated a massive retrenchment of the British university system, which was to be conducted over the 1981-84 period. This retrenchment began as an average reduction of 8.2% over the three-year period, but before it was completed other contributing factors such as loss of overseas student revenues, and underfunded staff raises and automatic step increases drove the effective reduction over 13%. Since the retrenchment was implemented by the assignment of differential reduction targets for each university rather than uniform cuts, the resulting situation became nearly disastrous for a significant group of universities. The need to protect the premier research universities – which are also among the largest institutions in the United Kingdom – carried the implication that the other, smaller universities had to shoulder the brunt of the reduction. The end result was that out of a system consisting of 43 institutions, 14 universities had recurrent grant reductions in excess of 20%, and of these, there were five in the 30-42% range. To someone who was a member of a public university that declared a formal fiscal exigency in 1980-81 and phased out over 100 tenured faculty positions as a result of only a 5% reduction in State appropriations, the implications of the British retrenchment figures were particularly real and led the author to apply for a Fulbright grant to support a four-month study visit to Great Britain.

The general thesis for my study was that crisis situations often inspire creative solutions. It was felt that a university that is required to make a 20% budget reduction cannot possibly accomplish this using routine cost saving methods but, rather, must resort to far more drastic and perhaps novel measures. The collective institutional attitude would have to change to one that would encourage innovative suggestions, which in more normal times would be considered too risky or unorthodox. In order to improve the chances of encountering the more creative examples of problem-solving, the group of 14 institutions selected for a visit included a good share of those suffering the largest cuts and was composed of institutions belonging to every category into which the British universities are customarily partitioned, e.g., ancient, old civic (red brick), new civic, new, technological, federal, etc.

The intent of the study was not to relate or critique the outcomes of the retrenchment – an approach which has been ably conducted by those much closer to the scene (Woodall and Towse, 1984; Shattock and Rigby, 1983). Instead, the investigation was limited to searching for philosophies, organizational structures, methodologies, and novel ideas that significantly aided in retrenchment.

There are significant differences between the British higher education system and ours. Such dissimilarities range over political, traditional, legal, cultural, and organizational structures and could well lead the general observer to conclude that

there was small likelihood of anything being applicable to a North American university. The author, however, had in recent years been involved in discussions and presentations with administrators from other countries and was struck by the fact that the problems they faced were surprisingly similar to ours and that the constraints unique to each nation did not seem to play a major role in our discussion of valid approaches and solutions. Therefore, there seemed to be a reasonable hope of ferreting out some useful information. This paper is an essay on what was found and is a recapitulation of one chapter in the full report that is to be published under the auspices of the British Conference of University Administrators.

The British University System

In order to eliminate the need to disrupt the narration with explanatory asides or footnotes, a few paragraphs dealing with the history, organization, and funding of the British university system are necessary. Those interested in a full treatment should consult Sampson, A. (1982), Ashby (1966), and Halsey and Trow (1971).

The development of the British university system of 43 institutions spans nine centuries; however, as late as 1800 the system consisted of only four Scottish universities, Oxford, and Cambridge. Thus, nearly all the universities were established relatively late – roughly paralleling the North American systems. The development of the present system occurred in four distinct phases, the last of which took place in the 1960's when eight technological universities gained charters.

In 1963, the Robbins Committee reported on the condition of higher education in Great Britain and made a series of proposals that largely determined the policy maintained by the government up until the last few years. The overall effect of the Robbins proposals was the opening up of higher education to a wider range of students drawn from all social and economic classes. This government policy was carried out by expanding the number of students that could be accommodated by the universities and providing financial support to all students capable of benefiting from a university education.

The mechanism for funding the British universities is particularly worth noting as it resembles many of our state systems. In 1919, it became clear that student tuition and fees could not sustain the growing roles of universities. Rather than have a governmental office allocate funds directly to the universities, it was decided to buffer the universities from possible interference by establishing a University Grants Committee (UGC) charged with advising the government as to the total needs of the university system and allocating the funds provided by the government. Another major source of university funding is funneled through the five research councils. These councils award competitive grants for specific research projects. The local authority gives each student attending a university a maintenance allowance and a portion of his/her university tuition, with the federal government paying the remainder of the tuition directly to the university through the UGC. Recently, the government increased the proportion of the tuition it paid

directly to the universities so as to make it completely uneconomical for a university to admit a student unless the federal government was willing to contribute its portion of the tuition payment. This then put the government in de facto control of enrollments in spite of the theoretical autonomy of the universities. Typically, a university looks toward the government for approximately 90% of its operating budget (70% via the central UGC block grant and approximately 20% from local government paid student tuition). Thus, despite nearly complete autonomy from direct government control in its affairs, every university is very much dependent upon the government for its resources and thus vulnerable to indirect control.

During the 1970's a number of converging events worked to undermine the government's resolve to continue the policy based on the Robbins proposal. Among these events were student unrest, high unemployment for graduates, a growing sense of failure in social engineering, and an inability of the government to keep abreast of inflation. The first sign of trouble occurred in 1974 when the government abandoned the system of funding the universities for five year periods and began to make annual appropriations. In 1979, the government announced the need for an 8.2% reduction in the university system's budget and gave the UGC eighteen months to develop the methodology. On 1 July 1981, the UGC unveiled the results of its deliberations by assigning budget targets for 1984 as well as suggesting student enrollment levels.

The size of many of the British universities can lead to incorrect assumptions. Except for the University of London, which is more a federation of 44 quasi-independent colleges than a single institution, there is no British university with over 11,000 students and the greatest share of these have enrollments of between 3,000 and 7,000 students. The small size of these universities belies their complexities, however. Nearly all have a full complement of the diverse functions commonly associated with North American state-supported universities, i.e., research institutes and centers, graduate study, extension work, industrial ties and contracts, and, in some cases, research parks and medical schools.

The administration of British universities is much different from that of an American counterpart, both in philosophy and organization. The Vice-Chancellor is both the president and academic vice-president of a British university. As nothing can occur without his knowledge and advice, the imprint of a vice-chancellor's style on an institution is far more pronounced than what any American administrator could exert. However, in a British university the academics are the policy-makers and the administrators are the implementors. Every significant policy change is generated or at least approved by a designated faculty committee before it is forwarded to the Senate (corresponding to an Academic Senate in an American university) and the Council (a rough counterpart of a board of trustees) for final approval. The significance of this organizational framework is that in a crisis such as the 1981-84 retrenchment, possible actions are given much university-wide debate and final decisions as to how to proceed must

at least represent a consensus of one if not several academic committees – a style that contrasts sharply with what generally occurs in an American university where a few central administrators decide and then inform the academics.

During the three-year retrenchment exercise, the university system adjusted to a 13 to 15 percent reduction in resources and a 5 percent reduction in student enrollments, for an overall effect of a 10 percent reduction in funding per student (Woodall and Towse, 1984). In the process, the universities made the transition from having a relatively large government-subsidized overseas student population to one paying full-cost fees. The academic staff was reduced 13 percent through voluntary buy-outs and early retirements; however, the concurrent enrollment reduction ensured that the student/faculty ratio increased but slightly. Thus, the resources per student were largely financed by a reduction in the accessibility of a university education. This fact is reflected in an increase of the required entrance test scores, resulting from greater competition for a diminished pool of openings in university programs. These few facts are provided only to indicate the magnitude of the retrenchment; the primary intent of this paper is to use the British exercise as a learning device and, in particular, to point out the more imaginative actions and the less obvious pitfalls.

Personnel Actions

Since any large retrenchment almost necessitates major reductions within the salary budgets, the policies that enabled British universities to cut back their permanent staff with a minimum of discord are of interest.

The first step in the chain of personnel actions was one of intensive communication. Many of the vice-chancellors, in a general newsletter, presented the magnitude of the problem facing the university and the process that was being used to formulate an acceptable solution. The style of the newsletters was sincere and personal as opposed to guarded and bureaucratic. As proposed plans of action were taken up and discussed within committees, Senate, and Council, regular newsletters kept those, who were not intimately involved, abreast of the latest developments. Such attention to providing accurate, detailed, and current information was extremely important. Too often university administrators are reluctant to state their case in print and lay their supporting data out for all to see. In a situation where a crisis is deemed imminent and where jobs and careers are to be affected, the factors contributing to this appraisal of the situation need to be examined closely and from many perspectives. If the evidence will not stand up to such scrutiny, if no one can be found who can articulate a rational, convincing interpretation of the evidence, then the logical step is not to avoid explanation but rather one of reassessment. Occasionally, it may be felt that minutes of meetings and articles in the student newspaper are sufficient, the implication being that the people who are really interested will make an effort to inform themselves. Such is not the case. Too little information, delivered up long after the fact, only serves to

create an atmosphere of uncertainty in which rumor and suspicion can spread across the university community. If, as was done in nearly all the British universities, the entire staff can be educated to the need for immediate and drastic action, the energy and creative force of the entire university can be directed to the task of devising and simultaneously implementing several lines of attack on the fiscal problem.

After initiating the communication phase, most universities then began laying the groundwork for the personnel actions that were obviously to come. When possible, vice-chancellors stated that no involuntary separations of employees would occur; some universities even passed such a declaration through the Senate and Council. In all cases where speculation about forced resignations were laid to rest by such a declaration of policy, the entire crisis situation was defused and subsequent events were able to proceed at a much faster pace. The fact that the UGC at an early date indicated its willingness to provide the funds (nearly 150 million pounds at last count) needed to carry out early retirements under the existing premature retirement plan assured most universities that no involuntary separations would be necessary.

The lesson to be drawn from this outcome is that any retrenchment exercise will proceed much faster and more effectively if people can be assured early on that all personnel actions must be voluntary. Certainly the ability to freely terminate employees has considerable fiscal appeal to administrators – perhaps too much – with the result that many administrators prefer to retain this possibility as a last resort measure and to use it as a not-so-subtle motivator. It is difficult to argue that the costs of this approach in terms of lowered morale, and time lost to empty speculation, are significant, but the British exercise provides frequent testimony to the effect that immediate improvements took place with the announcement that there would be no involuntary terminations. In fact, some administrators stated that little was accomplished until such assurances were given. This suggests that if it is at all possible to effect a retrenchment using only voluntary terminations and retirements or natural staff attrition, the long-term results would well repay the short-term inconvenience. At the very least, the first efforts should be applied to the task of determining if involuntary separations can possibly be ruled out rather than throwing the entire institution into turmoil by prematurely announcing the opposite.

The most obvious fact concerning the British retrenchment is that it was possible only through a successful use of early retirement (ER). Current efforts to combat age discrimination and to push back the age of mandatory retirement has confused many of us as to the general attractiveness of early retirement. If the British example can be extended to faculty in other countries, an adequate early retirement plan will succeed far beyond anyone's expectation if properly presented. The British had problems, not in encouraging early retirement, but controlling the rush.

The British already had a national ER plan that only had to be funded to be operational. Fortunately, the plan was financially acceptable to nearly everyone

over 60 and even many younger faculty. Most American universities do not now have an early retirement plan that is sufficiently attractive to make it a useful retrenchment tool. What does it take to be attractive? The fact that the British scheme proved to be a considerable inducement toward retiring early may serve to give us an upper limit – i.e., there may not be any need to develop an early retirement program that is any *more* attractive. Perhaps something far less would suffice. Under the British formulation and academic retiring in his late fifties with 20 to 30 years of service would receive an additional lump sum inducement that is somewhere between one or two times his salary. Interest on this lump sum, when combined with the retiree's regular retirement income, would provide an income of nearly 80% of his current take-home pay. The success of this program in Britain may indicate that a similar arrangement would meet with widespread acceptance elsewhere.

In one university an effective procedure was used to pass some of the costs and authority related to early retirement down to the department level where the best decision could be made. Since the UGC would not pay for the early retirement costs in all those cases where a department wished to refill the position, the university considered the unfunded early retirement costs to be a departmental debt to the university. These costs were paid off by keeping the position open for one or two years and surrendering the funds to the university. Thus each department was able to allow early retirements that otherwise could not have been afforded; also, since the department had to shoulder an extra workload while the position was vacant, this ensured that approvals of early retirement requests would be made in the best interest of the university and not for superficial reasons. Such a device could work well in a North American university.

Over and over again evidence was given of how important seemingly trivial perquisites were to making early retirement attractive. Some of these were the freely given title of emeritus rank, library privileges, and membership in the senior commons room. A more significant privilege was one that allowed an academic to use an assigned office or even a laboratory in the university. Sometimes these were shared spaces, sometimes not. Usually an institution undergoing retrenchment finds that space is no longer at a premium, a fact which makes this perquisite inexpensive. The above listed inducements cost the university little but provide considerable allurement to those academics who have grown tired of the routines of teaching and yet are still interested in continuing their research or at least some contact with their former life and colleagues. Many British universities permitted yet another inducement – part-time teaching – which appealed to those faculty who enjoyed teaching but lacked the energy to continue at a full-time pace. Since the UGC paid the cost of rehiring such part-time retirees for up to three years this privilege was freely granted where such service was needed. Other universities may not be so fortunate to have someone else paying the bills for such a part-time option; however, there may be instances where such arrangements are academically and financially feasible. For example, many of the faculty retiring early will be associated with departments or programs that are being discontinued. To

accommodate the students yet enrolled in such programs a phase down period of up to three years may be necessary, with the instructional loads diminishing each year as successive classes are graduated. In such a situation a flexible, experienced instructional staff consisting of part-time retirees is ideal.

One theme prevailing throughout all the universities visited was that the early retirement scheme would *not* be used to eliminate the less productive faculty members. Certainly much "deadwood" was moved, and several administrators felt that on a purely ethical basis the non-productive staff should have been the first group to go. However, the consensus was that in a situation where the voluntary staff reduction via early retirement had to extend far beyond the least productive group, the only way to make it widely acceptable was to avoid branding it as a procedure for unloading the unwanted. Administrators had to work at making early retirement respectable. For example, one department was unable to gain even a single early retirement until the most respected academic in the unit elected it and then a large group rushed to follow; obviously, the staff needed some stronger evidence than simply words that early retirement was not intended for only the underachievers. In order to avoid stigmatizing early retirement, communications were handled with great sensitivity. The letters describing the scheme were sent to a general audience such as all those 55 years or older. Follow-up interviews were held in confidence and usually involved a neutral party such as a small committee of very senior academics or an administrator having no decision-making role in the early retirement process. Most universities left all further action up to the faculty member to initiate – administrators did not approach people about their retirement plans. The importance of making early retirement a voluntary and honorable exit from a long career is one that needs to be noted. Too much of the early retirement literature is devoted to devising clever formulations that penalize the highly paid (productive) and reward those with low salaries (deadwood). Taking such an approach, which announces that only the unproductive retire early, guarantees that there will be few takers; even people who have lost much of their drive and interest, and who do have an interest in retiring early, still retain enough self-pride to reject such offers. In summary, an effective early retirement plan must, above and beyond attractive monetary features, provide ancillary perquisites that help a retired academic to gradually loosen his/her ties to the institution. All communications and negotiating procedures leading up to early retirement must be handled sensitively to avoid stigmatizing the option. In addition, people must be given professional assistance in working out the complex calculations that allow comparing early retirement pension payments with regular retirement benefits. These complications alone pose a severe disincentive for early retirement. Most of the British universities performed these calculations and comparisons for the interested person. Frequently faculty members are completely unaware of how sufficient their financial position would be under an ER plan and only become enlightened when they are given a detailed example applicable to someone of similar age and salary.

Many of the universities visited had experienced considerable success in

reducing their faculty by simply liberalizing their policy for taking leave without pay. This became an attractive option for many academics once the leave period was extended to three or four years and their retirement scheme was guaranteed by the home institution in their absence. It seems that this policy is one of those rare instances where everyone benefits; more use of it needs to be taken in North American universities. Many faculty reach a point where they welcome an opportunity to move into a new area of research or simply to practice their expertise in a new venue, be it government, industry, or another university. A one-year leave of absence is not enough time to justify the costs and inconvenience of moving. A leave of three years would. From a faculty member's viewpoint, an extended leave would provide enough time to try out a new line of endeavor and make a major career decision without burning all bridges behind. In those cases, where the decision is to return once again to the home institution, the person returns as a more content and resolved individual now that certain career opportunities and allurements have been explored and proven empty. Likewise, the home institution benefits. If the faculty member on leave never returns, the university can either reduce the staff permanently or bring in "new blood". Even when the faculty member returns, the university has benefited from a two or three-year reduction in the salary budget and now receives back an individual who is more broadly experienced by his/her work while on leave.

Redeployment of academics to other university positions worked very well although the number of cases was rather small. The retraining of faculty was a topic of wide discussion in North American circles not too many years ago, but it faded as critics posed questions to which there were no ready answers. Certainly in Britain it took something exceptional – the retrenchment – as a necessary condition before academics would even consider reassignment or retraining. In isolated cases where units were scheduled for closure, the options for the academics involved were those of reassignment, retraining, or termination. Once the situation was accepted, however, the people involved became quite positive about their prospects. Surprisingly enough, many of the reassignments were made along lines related to a person's avocational interests rather than his/her previous academic specialty. Examples of scientists going into music and art departments occurred with some frequency. Most of the retraining involved a masters degree in computer science and reassignment into such a department.

For the readers who are employed within an umbrella organization such as higher education or state university system, there may be some useful ideas to be found, not so much within how individual universities handled their reductions, but rather how the UGC managed the overall retrenchment. If the desired end result within a system is a specific reduction in instructional staff, it may be effective for the central organization to withhold a block of funds sufficient to finance early retirements. If staff reduction targets are assigned throughout the system, it should be possible to estimate the funds needed to effect those targets via an early retirement plan defined by the central organization. The UGC's "new blood" scheme provides yet another idea for restructuring an entire state system.

Under this plan, the UGC announced that it would provide funds for 200 new junior positions in science and technology intended for young researchers. This plan was conceived once it became clear that the early retirement program would reduce natural attrition to a trickle for the next three to five years and the loss of research and potential academics through lack of openings would be detrimental to national interests. It would seem that any state system using an effective ER program should reserve some funds for such a "new blood" program.

The UGC made strenuous efforts to use the retrenchment as a tool to realign the university system so as to better fit the government's view of what would best serve the nation. In addition to the "new blood" infusions into the science and technology areas, the UGC also "suggested" to each university where to make the enrollment reductions. In general, these suggestions, which had the effect of an order, resulted in a student shift from arts and social studies to engineering, science, and technology. The universities were not, however, able to carry out a corresponding shift with respect to academic staff. Their efforts were undermined by the random nature of the early retirements, which were dictated by the configuration of the senior faculty rather than any grand federal plan. The magnitude of the retrenchment necessitated that most universities accept every early retirement that presented itself, without regard to whether the academic involved could be spared. The situation was worsened by a steady out-flow of engineers, computer scientists, and other academics into the private sector. These faculty members recognized their good fortune of being specialists in disciplines that were in current demand by industry and seized the opportunity represented by the UGC "buy-out" plan to leave the academic life well fortified by a significant cash settlement. Even if these circumstances didn't exist, the universities would have found it difficult to prevent the loss of valued academics due to the fact that many administrators felt that the ethos of the university dictated against restricting the special retirement and buy-out options to a select group. Clearly the problems that frustrated attempts to restructure the university system are those that could arise within any system-wide retrenchment. For this reason alone administrators of state systems would be well served by studying the British exercise and using its problems and outcomes as a lesson in restructuring.

Techniques of Allocation

Although the North American universities have for years been the leaders in the use of sophisticated resource allocation methods, nevertheless several interesting allocation procedures were noted and seem to be worth relating.

At some institutions equipment funds were separated into two allocation blocks, one being allocated to departments as a recurring equipment budget item and the other to the college where the dean could allocate funds, on a non-recurring basis, to selected departments for specified equipment purchases. This arrangement gave the dean the ability to schedule major equipment purchases over the years. The same funds, if distributed to the departments on a recurring basis, would probably

not allow many of them to make large, one-time purchases. This would result in the same equipment budget being expended and the departments appealing to the university for special purchase funds.

In those universities that used rather complex analytical models to allocate funds internally, it was considered necessary for administrators to periodically explain in detail exactly how the computerized models worked. These explanations were directed to faculty boards and department administrators who had to know what measures of productivity were rewarded. Too often in North American institutions we assume that an allocation model that has been used for a decade or more is widely understood. We forget that people move in and out of positions, that information is misplaced and forgotten, that even models are sometimes changed. A triennial workshop for all unit administrators could be very useful for keeping everyone informed on allocation procedures and calculations.

Several British universities, under the press of severe budget cuts, decided to abandon the process of determining resource allocations by negotiation (a process that had become very fractious and lengthy) and instead use the more neutral approach of a computer model. As is often the case when such a transition is made, particularly if external benchmarks are used in the model, certain departments turn out to be far over-supported and thus liable for a drastic reduction relative to the new procedure. Rather than modifying (or worst yet – abandoning) the model, the administrators decided to moderate the transition by phasing it in over several years. Departments suffering a large reduction in funds would move toward the lower levels determined by the model in incremental steps. Along these same lines, two institutions had allocation models that used the concept of marginal costs. Most models base allocations on average costs as related to some workload such as student credit hours (SCH). Problems develop when SCH decline but expenditures cannot be cut proportionally, i.e., expenditures cannot be decreased at the average rate but at the lesser *marginal* rate, a rate that is extremely difficult to calculate. Rather than ignore this problem as being insoluable, these administrators decided that an estimate was better than doing nothing and arbitrarily used a marginal cost that was calculated as a third of the average cost. Thus, a department faced with a sudden 30% decline in enrollment would suffer only a 10% reduction in budget. If in the United States such a principle was accepted by state officials for making allocations to universities during a time of enrollment decline, much of the current turmoil could be attenuated.

In general, the British universities now regard their academic posts much more like any other resource that is to be husbanded and wisely allocated. Most of the institutions have a position register or establishment log. A committee of senior faculty and administrators maintain this register and pass judgment on all position requests from units. In this way, gradual shifts in the composition of the faculty can be effectively carried out over time in accordance with a staffing plan. Many American universities have no firm position allotment for each department; often the control is budgetary, which does not, for example, restrict a unit from replacing a retiring professor with two assistant professors as long as the salary

budget is not increased. Also, requests to create new positions or refill vacant ones are often decided as they occur on an ad hoc basis which does not lend itself to restructuring the university in a planned fashion. The British experience suggests that position control is important; perhaps a dual system that controls on both position count and salary dollars is what is ultimately needed.

Planning

Although the British retrenchment was a budget driven exercise, it nevertheless achieved results that reflect favorably on the concept of strategic planning. The 1981-84 retrenchment illustrated the almost unbelievable changes that can be wrought given the imperative for action, well defined goals, and sufficient lead time. Prior to this exercise no one would have predicted that a group of universities could make budget cuts ranging from 20 to 40% and survive with all the characteristics of a university intact. This makes one wonder what dazzling feat of educational refurbishment could be done on this side of the Atlantic if institutions could be so motivated and guided toward constructive, strategic goals. If one disregards the nature of what the British universities had to do so as not to confuse the aims with the method, there is something to be learned. The fact that the British university system was able to achieve an extremely difficult, mandated goal stands in stark contrast to what is currently happening – or not happening – in North America. Here the concept of strategic planning is now well understood, all the needed procedures and analytical processes are in place, top administrators are solidly behind the idea of planning and yet the larger institutions are finding it difficult to move off from their established center of gravity. The British exercise may point out our three major problems. The first is the lack of concreteness in institutional goals. How much easier it is to aim at lopping $2 million off a budget than it is to "promote excellence in general education". The second is the mushiness in the motivation. The British universities were told they *must* reach certain verifiable targets; here it is only suggested that it would be politically, fiscally, or academically prudent if the university slid toward certain indistinct goals. The final necessary ingredient is a well-defined planning period during which the funding level is assured. The British had three years. American public institutions must operate within a one, sometimes two, year budget cycle and, each year, adjust to unpredictable rises and falls in funding. Given these differences what can be learned from the British experience? The first step should be a complete overhaul of institutional goals. Every goal must specify a measurable level of attainment. Thus, an aim of "achieving first rank excellence in research" would perhaps be replaced by an entire set of measurable proxies:

- increase the outside funding for research to $100 million in three years
- attract 25 members of the National Academy of Science
- double the number of graduate students holding nationally competitive fellowships

The seriousness of the planning exercise must then be impressed on the university

community at all levels. A newsletter from the president could begin the campaign by clearly stating the goals, explaining the evaluation process and the reward structure that will take place each year. Regular bulletins throughout the year would be used to display the current progress toward the goals, recognize outstanding contributions and generally make everyone aware that progress does matter and is being watched. Not much can be done about extending the budget cycle where appropriated funds are involved. However, irregularities in funding can be lived with once everyone is educated to what is happening. Again good communication is the answer. People must be made sensitive to the fact that an institution can only do its best to follow the strategic plan, that there will be times when short-term necessities (a sudden recall of some appropriated funds) will preempt the strategic considerations and perhaps result in actions that run completely contrary to the plan – in the short-run. A well enlightened academic community will readily separate the short-run and long-run issues and not view any short-term inconsistency as indicating confusion at the center.

My final observation was that planning committees in British universities are largely academic in composition. There are many American universities in which not a single full-time academic sits on the planning committee. To be sure, the faculty become heavily involved once the general guidelines are set, but this involvement is at the implementation stage, not at the juncture where the direction of the university is decided. On this point, several British administrators admitted that certain key, innovative ideas for reducing the budget came from faculty members with no administrative background. After a prolonged immersion in a university system in which the faculty make university policy and determine the direction of the institution, in which administrators view their role as being the implementors and facilitators of actions determined by the faculty, one returns to view the American system with a more questioning attitude. Is is indeed "natural" that only administrators make university policy? Can effective planning take place if the roles of policy-making and implementation are switched and given to the administrators and faculty respectively? Can faculty, once excluded from the highest councils, really be regarded as being distinct from employees? And once this viewpoint is accepted, how far can it be extended before the management of a university becomes indistinguishable from that of a proprietary school?

Retrenchment

Although every item discussed under the preceding headings could have been included here since virtually all planning and personnel actions were taken as a consequence of the retrenchment, included here are only those ideas that are most directly related to retrenchment.

Every British university had at least one committee assigned to the task of finding ways to meet the fiscal targets assigned by the UGC. This task, when properly done, involves considering ways to increase the revenues as well as decreasing the expenditures. Several universities, recognizing that the two

components of this task require attitudes and insights of quite a different nature, assigned these two aspects to different committees, each composed of members whose personalities were compatible with the task. The revenue committee tended to be forward-looking and entrepreneurial in style whereas the expenditures committee was composed of individuals with more of a managerial and pragmatic outlook. The same reasoning that would lead to splitting this dual task at the university level should also apply at the department or unit level. A related idea occurs in the setting of departmental retrenchment targets within a university. Most institutions simply mandated budget, enrollment, and sometimes staffing targets for all units. This approach addresses only the expenditure side of the retrenchment. One university felt that the campaign for increasing revenues, which is usually left for central administrators to accomplish, could be enhanced if departments and units contributed as well. To make this a workable concept, smaller units had to be given an incentive; this was done by allowing them to offset budget reduction targets with corresponding revenue increases. Undoubtedly, this approach is seldom seen because of the accounting difficulties; however, this university showed that it could be done. In fact, within the university, one college that was targeted for a 50% reduction in staff, was able to preserve its entire faculty by initiating an active research program that attracted sufficient external contract funds.

Because the retrenchment exercise was a matter of national policy and gained much publicity, most universities found that their external publics accepted their claims of fiscal crisis. There were, however, a few cases where union groups demanded evidence and expressed doubts as to the seriousness of the retrenchment. One university, forewarned by events taking place at a sister institution, had its evidence of fiscal exigency reviewed by an external auditing firm. This precaution could well be used in North America whenever an institution finds it necessary to claim fiscal exigency. Because such a claim has such stressful implications with respect to tenured faculty the evidence is certain to be given close examination. A large university invariably has a complex array of funds, accounting conventions, and legal restriction; to throw open the books to a critical audience with self-preservation interests at heart is to invite difficulty. Within any university a considerable bulk of funds are expended in a manner that a prudent manager would consider necessary but an alarmed faculty would view as unnecessarily cautious. A time-consuming standoff between faculty and administration, each interpreting the same finances differently, could be avoided by the employment of an accounting firm to make the assessment of the fiscal situation, either independently or jointly with faculty and administration representatives.

Those institutions that were compelled to eliminate entire units soon found, as have others (Melchiori, 1982; Dougherty, 1979; Moore, 1978), that such measures took far more time and occasioned more hostility than any other retrenchment action. Rather than closing department A and reassigning faculty to a related department B, some universities found that the situation could be better handled if the retrenchment action was called a *merger* of department A with

department B whereby a new department C was created. In practical terms this amounts to nothing more than relabeling the activity but often such simple changes are very effective. This expedient also facilitates the amalgamation of the two faculties, for the idea of a "merger" finesses the problem of whether one group will be socially and professionally accepted into a receiving unit.

The next point is one that is more a warning than a successful strategem. The universities that had to make the largest budget cuts also had to perform the greatest amount of relocating of offices, classroms, etc. In order to minimize utility and maintenance costs, units had to be relocated and consolidated as scattered spaces became vacant. The costs related to moving furniture and adapting space to the new occupants were considerable and not fully appreciated at the beginning of the retrenchment. Any North American institution embarking on a significant retrenchment had best set aside funds for restructuring costs, particularly if short-term cash flow is likely to be a major problem.

In a retrenchment exercise an awkward situation arises when isolated faculty members are to be relocated and placed in a new department. Often, the administration cannot simply demand that a department accept the faculty member; the difficulty arises when the department sees no advantage in gaining the transferred academic. Usually the issue is strictly a matter of funding. Why should a unit spend its scant resources to gain a relatively senior member when, for half the cost, they could recruit a young lecturer? Several British universities solved this problem by providing the gaining department with one half of the new faculty member's salary. Thus the department obtained a senior academic for the cost of a junior post; this usually ended the reluctance without further discussion.

Several of the larger universities were surprised to find that as the early retirement scheme began to reduce the academic staff size, there was a simultaneous reduction in the number of academic programs. These institutions usually had a broad curricular array that included many specialized programs with few students but jealously guarded by senior academics. As the senior people retired and the departments were left to ponder the fate of these isolated specialties, most of them were dropped. This enabled the departments to use more effectively their depleted staff. Woodhall and Towse (1984) reported that one university, which lost 30% of its staff, discontinued thirty degree programs and major options.

The British experience was that the retrenchment planning group must be small and nonrepresentational in attitude. Every time a special planning group was assembled there were immediate pressures to enlarge it so as to seat representatives from various sectors. Aside from problems associated with size, the major difficulty with such a committee is that members think and vote in terms of what is best for their constituents rather than what best serves the university. Likewise, the need for closed sessions and confidentiality was frequently stated. If planners are expected to think and act in the best interest of the university to the extent of overriding the interests of colleagues, then they must at least be given the anonymity afforded by a committee working in closed sessions.

Data Related Issues

The British universities, like their American counterparts, publish each year an annual report that not only presents the required financial information but also takes the opportunity to present a favorable image of the university. There is, however, one frequently reported university output that is seldom seen in a North American university annual report and that is a list of all research published during the year. Few of our institutions even have a rough estimate of how many journal articles are produced, much less what they were. Since basic research is one of any university's primary outputs, it does seem that we are guilty of missing an obvious opportunity to gain some credit. Some may claim that this neglect is not due to oversight but simply a pragmatic recognition of the fact that no one outside the university really cares. This claim should be contested, particularly as events now stand. Many, if not most, research universities are part of a higher education system in which a central authority allocates funds to all the constituent institutions. Because of the hidden costs of doing research, major universities – by all normally used measures of cost and productivity appear to be expensive. Whether the state allocates funds by sophisticated computer models or by negotiation, a substantial share of every major university's allocation is based strictly on judgment and a conviction that the research institutions are producing something of value in the way of research. Frequently, that judgment is contested by the other state institutions that are funded solely on instructional measures. The research institutions put an unnecessary burden on their supporters by producing no accounting of their research efforts. The results are there, they can easily be recorded, and they can be publicized in the annual report. There is no need to strain relationships with state officials by expecting the allocation process to be an annual act of faith.

Both the amount and high quality of the work being done on micro computers was impressive. Micro computer technology has already reached the point where storage capacity is less a problem and the sophisticated software packages for processing data and building models renders many a manager independent of the need for an elaborate data processing department. Many North American universities have, over the last decade or two, developed reports, models, and data manipulation routines that use a mainframe computer and require the services of a large computer staff. This investment may well lead to considerable inertia in exploring the administrative capabilities of micro computers and result in the major universities holding onto outdated practices.

Conclusion

The global theme of this paper is twofold. The first is that case studies of university retrenchment are an important and often overlooked addition to the literature. During a retrenchment, events are moving at such a pace that no one has the luxury of reflecting on them. After the retrenchment has been accomplished,

many of the details, memories of false starts, and political intrigues are irrecoverably forgotten. To whatever extent possible researchers should chronicle institutional and system retrenchments. Once a reasonable body of such reports have been written, it is not unreasonable to assume that one may perceive some common patterns of human behavior that attest to the effectiveness of certain planning concepts while rendering other theoretical approaches unfeasible.

The second theme has been the encouragement of an international perspective. The similarities of British and European higher education systems to our own far outweigh the differences, particularly with respect to certain topics such as retrenchment and planning. We should take every opportunity to pass ideas back and forth across the Atlantic so as to learn from the experiences of others who precede us in time through certain economic or political vicissitudes. For example, the British retrenchment has demonstrated that retrenchments of an unprecedented scale can be achieved through extensive use of early retirement. It has also shown that contrary to current belief, early retirement can be made extremely attractive. The British exercise also points out that it is extremely difficult to simultaneously retrench and restructure; often the very activities that advance one aspect will completely counter the other. In the British case, an open early retirement policy brought about results that ran at cross purposes to those intended by the "new blood" appointments and mandated student enrollment shifts. Administrators of large university systems in North America can profit from noting some of the decisions and provisions made by the UGC such as setting aside funds for early retirement, "new blood", and special restructuring costs, the decision to cut enrollments as well as budgets so as to preserve the resources per student.

At the institutional level, the success of the British retrenchment was largely due to a sensitive handling of people. Special care was taken to avoid the stigmatization of early retirement. The nature of the problems presented by the retrenchment were carefully communicated so as to enlist the wholehearted efforts of the entire university community in seeking the best solutions. In no case did a confrontation between academics and administrators develop.

An awareness of only the broader themes that run through the British retrenchment exercise would undoubtedly prove invaluable to those who become involved in a similar episode on this side of the Atlantic. These benefits will soon be augmented by the published collection of university case studies that is now being carried out under a Department of Science and Education grant led by Professor John Sizer.

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