
Financial Bottom Line: Estimating the Cost of Faculty/Adjunct Turnover and Attrition for Online Programs

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Abstract

Turnover and attrition of online faculty and adjunct faculty is a reality. While there are no reported national statistics or data on annual turnover/attrition for online faculty/adjunct, the overall costs of recruiting, training, and replacing faculty/adjunct can be staggering. Moreover, the short and long term effects of online faculty/adjunct who are not properly trained through recruitment and retention plans can result in faculty/adjunct attrition, student attrition, low graduation rates, legal action, and negatively affect the reputation of an institution. Therefore, online programs administrators must be cognizant of “costs” associated with faculty/adjunct turnover/attrition and understand the inherent importance of recruitment, retention and incentive plans related to program sustainability.

Introduction

Online education is one of the fastest growing enterprises in the United States. Statistics reveal that in 2006 there were 3.5 million students enrolled in online courses. This represents a 10 percent increase from 2005 (Sloan, 2007). Online enrollment is not slowing down nor has it reached a plateau. With the proliferation of new online degrees and certificate programs, online enrollment is on the rise. According to the *Online Nation: Five Years of Growth in Online Learning* 69 percent of academic leaders “believe that student demand for online education is still growing” (Sloan, 2007).

While an increasing number of for-profit and non-profit institutions vie for their share of this growing multi-billion dollar-a-year industry, it is critical that institutional leaders strategically develop recruitment, retention and incentive plans for online faculty and adjuncts. Moreover, administrators must proactively prepare for national and global economic shifts by building a dedicated team of online faculty and adjuncts who can fully adapt to changing market conditions and fluxuations in institutional enrollment. Direct, opportunity, and indirect costs can negatively affect the financial bottom line and sustainability of online programs – and can devastate fledging programs.

Literature on financial costs relating to attrition often focuses on employees within corporations (Cork, 2008; Dooney, 2005; Rodgers, 2002) and not higher education. Moreover, the financial costs associated with employee attrition are often described in general terms and do not provide specific line item costs that are critical to annual budgets. While there is more extensive literature on reasons as to why

faculty/adjunct leave higher education (Nagowski, 2006; Amey, 1996), the line item costs related to turnover/attrition are not readily available.

The costs related to turnover/attrition of online faculty/adjunct should be based on predetermined metrics related to costs established by an institution. These metrics provide the necessary integers to calculate the overall cost of turnover/attrition based on three categories typically associated with employee turnover/attrition: 1) direct costs, 2) opportunity costs, and 3) indirect costs (Rodgers, 2005; Dooney, 2002). However, some of the costs may not apply across all online programs.

The line items listed under direct, opportunity, and indirect costs are extensive. However, each line item represents a cost for an online program. Therefore, online program administrators need to fully understand the overall costs of online faculty/adjunct turnover/attrition.

Direct Costs

Direct costs refer to fixed and variable costs related to hiring, salary/benefits, training, and support. These costs are essential for the recruitment and retention of employees. Conversely, direct costs also include separation costs related to attrition/turnover. Direct costs include, but are not limited to:

- I. Recruitment
 - A. Marketing (ad placement online, newspapers, journals, radio, television, etc.)
 - B. Recruitment/Search agencies
 - i. Fees for identifying potential candidates with specialized skill sets
 - ii. Percentage of the employee's annual salary as a fee
 - iii. Faculty incentives for finding qualified faculty/adjuncts to teach in areas of areas specialization
- II. Application Process
 - A. Time (staff or temp agency to assist with application process)
 - i. Filing applications with resumes/cover letters (paper and electronic)
 - ii. Identifying final candidate pool to interview from list of applicants
 - iii. Corresponding with applicants and search committees (email/phone/fax/in person)
 - iv. Reference checks
 - B. Interview process
 - i. Onsite visit/s (travel accommodations, etc.)
 - ii. Virtual interview/s (teleconferences, video conferences, etc.)
- III. Hiring
 - A. Time (staff or temp agency to assist with hiring process)
 - i. Processing internal paperwork
 - ii. Correspondence (email/phone/fax/in person)
 - B. Salary and benefits package (discussions, negotiation)
 - C. Financial incentives for teaching maximum/overload student enrollments
 - D. Relocation costs, may include spouse job search assistance within the community
 - E. Background checks and pre-employment drug testing (if applicable)
- IV. Orientation and Training
 - A. Cost of orientation (institutional orientation through Human Resources and possible additional orientation session/s provided by a division, school/college, and/or program)
 - B. Cost of training (institutional and programmatic training - knowledge and skills required for position such as software, hardware, web, pedagogy, evaluation, etc.)
 - C. Cost of travel for orientation and/or training
 - D. Time off task
 - i. Time away from job for orientation/s (introductory workshops/sessions about institution/division/school/college/program on policies, regulations, etc.)
 - ii. Time away from job for training (introductory workshops/sessions about required software, hardware, web, pedagogy, evaluation, etc.)
 - iii. Learning curve (even after training has been completed, on-the-job training effectively continues until the new faculty/adjunct fully masters how to apply necessary skills and knowledge to the position)

- iv. Decreased office productivity until mastery of new position
- V. Professional Development and Ongoing Support
 - A. Mentoring/coaching
 - i. Time that faculty/adjunct spend mentoring new hires
 - ii. Time that new hires spend being mentored/coached by faculty/adjunct
 - B. Faculty Development
 - i. On campus
 - ii. Off campus
 - Travel, lodging, meals
 - Technical costs (e.g., Internet, cell/phone, camera/video)
 - Time away from office/institution
 - iii. Online
 - C. Technology support and training
 - i. Computer
 - ii. Software
 - iii. Internet
 - iv. Telephone/cell phone/iPhone/iPod
 - v. Course management systems (i.e., Blackboard, Vista, WebCT, Angel, EduTool, etc.)
 - vi. Learning management systems (i.e., Sakai, Moodle, Saba, SumTotal, etc.)
- VI. Separation Costs (for faculty/adjunct who decide to leave the institution, if applicable)
 - A. Severance pay
 - i. A lump sum or continuation of pay for a specified period of time
 - B. Benefits
 - i. May continue benefits for a specified period of time or until the individual attain another job
 - C. Unemployment insurance rates
 - i. Rates may increase since institutions/organizations/companies are penalized with a higher tax if there are high percentages of former employees drawing benefits from the unemployment insurance fund
 - D. Advising
 - i. Time spent speaking with program director, administrators, and/or staff by phone, email, or in person to finalize internal paperwork
 - E. Exit interview
 - i. Time spent collecting quantitative and/or qualitative data related to faculty/adjunct attrition (i.e., exit surveys, exit interviews, etc.)
 - F. Outplacement
 - i. Assistance from HR in finding a new position for the faculty/adjunct
 - ii. Costs associated with an executive search firm or headhunter
 - G. Legal action by faculty/adjunct or student
 - i. Potential that dismissed faculty/adjuncts may elect to file a grievance against the institution
 - ii. Potential that students who withdraw from the institution based on a negative experience with an online program or faculty/adjunct may file a grievance against the institution
- VII. Separation Costs (related to students who leave the institution as a result of faculty/adjunct turnover)
 - A. Advising
 - i. Students with a negative faculty/adjunct experience may leave under negative auspices or seek extensive academic counseling from advisors and/or program directors as to stay in the program or leave
 - B. Exit Interview
 - i. Time spent collecting quantitative and/or qualitative data related to student attrition (i.e., exit surveys, exit interviews, etc.)
 - C. Program Transition
 - i. Assistance from academic advisors and/or faculty to assist students enroll/transition to another program within the institution or at a competing institution.
 - D. Legal action by students

- i. Potential that students who withdraw from online courses or programs due to negative experience/s linked to faculty/adjunct turnover/attrition may elect to file a grievance against the institution.

VIII. Overtime

- A. Faculty/adjuncts teach additional courses to replace faculty/adjunct
- B. Staff/advisors work additional hours to meet program/operating goals
- C. Program Directors work additional hours to meet program/operating goals

Opportunity Costs

Opportunity costs refer to loss of business and loss of students resulting from diminished resources and/or decreased service quality due to faculty/adjunct turnover/attrition. Opportunity costs are more difficult to quantify than direct costs since inference is required to calculate these costs. Opportunity costs include, but are not limited to:

- I. Loss of business
 - A. Failure to start a new cohort for a semester/quarter due to faculty/adjunct turnover/attrition
 - B. Failure to offer a new or specialized course/s
 - C. Limiting course offerings due to faculty/adjunct turnover/attrition
 - D. New/fledgling programs not meeting baseline operating costs
 - E. Loss of established market sector to competitors due to decreasing value of degree
- II. Loss of students
 - A. Loss of current students to competitors
 - B. Loss of potential students to competitors
 - C. Loss of potential business/educational partnerships
- III. Loss of faculty/adjuncts
 - A. Faculty/adjunct defect to competitors due to faculty/adjunct turnover
 - B. Ripple effect in which staff, administrators, managers, and academic advising personnel begin to defect to competitors as faculty/adjuncts leave
 - C. Potential faculty/adjunct do not apply for vacant positions due to poor/declining program reputation
- IV. Loss of Reputation
 - A. Decrease in student enrollment
 - B. Decrease in recruitment
 - i. Student
 - ii. Faculty/adjunct
 - iii. Staff
 - C. Decrease in research, publishing, presenting
 - D. Possible loss accreditation or probation
 - E. Decrease in sense of community
 - F. Decrease in donations, contributions, and partnerships

Indirect Costs

Indirect costs are the most difficult to quantify since these costs relate to productivity, morale, and ultimately the climate of the workplace. While these costs are challenging to calculate, they are important to examine since they can have short- and long-term repercussions on an online program. Indirect costs include, but are not limited to:

- I. Productivity
 - A. Loss of intellectual capital (knowledge, experience, and contacts)
 - B. Lower staff productivity due to taking on additional responsibilities and burnout
 - C. Reduced productivity of Program Director due to taking on additional responsibilities, recruiting new hires, and working with new hires
 - D. Inability to design new courses, concentrations, etc. due to limited staffing
 - E. Inability to secure grants or funding due to limited staffing
 - F. Inability for faculty/adjuncts to present at conferences due to limited staffing as part of

- marketing/outreach
- G. Inability of faculty/adjuncts to publish due to limited staffing as part of marketing/outreach
- H. Cost of completion or delivery of critical project/grant where the faculty/adjunct who left was a key participant
- I. Cost and productivity of new hires
 - i. Productivity of new hires is not as high early on as they learn policies, procedures and assume full responsibilities
 - ii. Mistakes by new hires during indoctrination period can be costly
 - iii. Program Directors time developing trust and building confidence in new faculty/adjunct
 - iv. Staff time in assisting new faculty/adjuncts “get up to speed”
- II. Morale
 - A. Negative climate that reduces productivity
 - B. Decreased sense of professional value
 - C. Low faculty/adjunct motivation
 - D. Low student motivation

The overall costs related to the recruitment and attrition of online faculty/adjuncts is extensive. While the payment for teaching one online course can range from \$2,000 to \$5,000 or higher, the financial bottom line associated with faculty/adjuncts can be ten times the amount or greater than the actual payment when calculating direct, opportunity and indirect costs.

As institutions continue to expand their online course offerings, it is strongly encouraged that metrics and costs be established early on as well as monitored through a balanced scorecard. Furthermore, strategic recruitment and retention plans need to be developed to optimize meeting program goals and operating budgets. Strategies that increase faculty retention may include: financial incentives for teaching on line classes, new pedagogical teaching styles, robust faculty mentoring or coaching programs, establishing ‘communities of practice’ for faculty, and conducting live learning laboratories and think tanks for course collaboration. Additional strategies may include: providing increased technical support systems, developing university policy and procedures that directly address online courses, and defining standard benchmarks for quality online teaching. In addition to these retention strategies, a complete set of metrics or a dashboard should be developed to monitor faculty and student retention and attrition. Personal exit interviews need to be conducted with terminating faculty and students to find out why they left the program.

Online education enrollment is projected to increase (Sloan, 2007). Therefore, online programs administrators must be cognizant of “costs” associated with faculty/adjunct turnover/attrition and understand the inherent importance of recruitment, retention, and incentive plans. Data collection through defined metrics and cost analysis (direct, opportunity, and indirect) are critical to long-term program sustainability and future growth.

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