University of Michigan lays off hundreds

Mitch Marcus
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Implementing a plan to consolidate some administrative services, the University of Michigan announced that 325 staff would be laid off and made to reapply for their jobs, only 275 of whom would be "rehired" and moved off-campus into a new Shared Services Center.

Faculty, staff, and students have responded with letters, guest columns, editorials and online comments expressing widespread distrust and anger, due not only to the cuts and consolidation, but to a gag order imposed for months on faculty restricting them from revealing the change to their affected coworkers.

"Our benefits are dwindling," one worker commented on the MLive web site. "Our raises are nil. Parking rates continue to increase. And we get nothing in return. I've worked here for 25 years. It has taken years for me to get where I am. I now have to start all over again and bid and interview on a job that's already mine."

After the backlash ensued, the university reversed itself and announced that no job losses would be necessary since the positions being eliminated had already been left vacant by departments as they prepared for the impending restructuring.

In a series of open letters, UM sought to reassure staff that it was "expected" that those who accepted a comparable position in the new center would not see their "base" salaries decrease. It is noteworthy that while they were vague on base pay, the notices did not at all mention benefits, disability, pensions, or retiree health care.

Referring to the gag order, one letter from the executive sponsors of the project stated, "It is clear we were not sensitive or consultative enough in the planning and communication of this initiative. We deeply value every member of the university community, and regret that the early stages of the process did not live up to our shared values."

However, the underlying project was maintained, as was the invitation to workers, many with decades of employment with the university in departments and offices they've worked in for much of their careers, to "become candidates" for rehire to their current positions. Opting for this method instead of simply transferring staff to the new facility would "allow UM to inventory employee skills," explained UM spokesman Rick Fitzgerald to MLive.

Under the plan, most staff involved in finances and human resources at the various academic departments will be transferred to one off-campus location to provide the services to the university as a whole.

The university states that "savings will be realized through ... streamline[ing] business processes, increasing managerial span of control, ... [and] eliminating non-value added work." UM is among several campuses throughout the country examining or implementing the shared services model.

The Shared Services Center, set to open next April at a site three miles from central campus where the university was able to secure only a seven-year lease, is part of the university-wide Administrative Services Transformation (AST) project, an initiative to cut $120 million by 2017.

Having already cut so-called low-hanging fruit, top administrators were now "looking to make the more difficult cuts, including changes to retirement benefits, health care offerings and staffing," UM Chief Financial Officer Timothy Slottow told MLive, calling the process "heart-wrenching."

The university is paying the private consulting firm Accenture $11.7 million to spearhead AST. Accenture originally promised savings of $17 million from the first few years of shared services, but that has since been revised downward to $5-6 million. Accenture has apparently ruled as off limits the $7.19 million in base pay pocketed by UM's top 16 executives last year.

Accenture is the world's largest consulting firm, with annual revenue of $29.8 billion. Spun off from former "big five" accounting firm Arthur Anderson just before it became embroiled in the 2001 Enron scandal, Accenture specializes in what it calls the "science of management consulting," and helps clients cut labor costs through restructuring.

The use of highly paid private consultants by public education institutions follows a recent trend accelerated by President Obama's Race to the Top initiative to wring as much profit as possible from public education. Proceeding apace, the practices of public education and corporate America are becoming virtually indistinguishable, as highly paid public education administrators have increasingly come to inhabit the same social layer as highly-paid profit-driven consultants.

This is exemplified by UM's Associate Vice President for Finance Rowan Miranda, who before joining UM in 2009 was an executive partner at Accenture, leading its North American Finance and Performance Management Service Line offerings for State and Local Government and Higher Education. Miranda, the university assured, was forced to recuse himself from UM's decision to hire his former employer to consult on AST.

This social layer is correct when they say that they are insensitive to the workers actually involved in the day-to-day functioning of the university. While the pay of staff involved in the consolidation range between $32,000 and $85,000 per year, this pales in comparison to the executives leading the reorganization, including Slottow's $568,218 per year, Miranda's $979,551, and UM President Mary Sue Coleman's $985,900.

Upon Coleman's recent announcement of her retirement, she was awarded another $100,000 as a bonus by the UM governing board, which explained that it wanted to show its appreciation "for what she has done," MLive reported. What the board is referring to is Coleman's reputed fundraising effectiveness.

The UM endowment reached $7.6 billion last year, highest in the country among public universities, and Coleman recently announced a new drive to increase it by $4 billion by 2018. Coleman is largely credited with pulling in over half a million dollars from a handful of donors in the last few months alone.

Yet despite these immense figures, inequality on campus is increasing. Huge salaries at the top are rationalized like those awarded to CEOs in the private sector as necessary to attract and keep quality talent. They also shed light on the use of the gag order to preempt opposition and to divide workers between support staff and the relatively higher-paid faculty, and between workers and students. In-state tuition has jumped 65 percent in the past decade.

"We need to know who was driving the process, who owned and who's accountable for the fallout it will cause," the student-run *Michigan Daily* reported History Department Chair Kathleen Canning as saying at a recent faculty governance meeting. "We were subject to a gag order, which is quite unprecedented, meaning we weren't allowed to talk to anyone—even in our department—about this process."

"The staff don't know if they can trust the faculty, the faculty don't know if they trust the administration," Canning said, according to MLive. "It's led to an atmosphere where many people who were not targeted felt that they would be next. There's a huge, simmering anger among the rank-and-file faculty and graduate students; it's going to blow up and go public very soon."

"The trust has eroded," commented another worker on MLive. "Communication of some sort, any sort, would have softened the blow, but the silence holds more truth than the lies that spew from their mouths!" The continuing silence on potential changes to staff benefits in particular, with their implications for forced early retirements as the administration moves to deeper cuts beyond "low hanging fruit," is particularly ominous.