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Robert Dullea

Heather Geiger

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A Context for Changes and Challenges in Higher Education

By Robert Dullea and Heather Geiger

Jesuit colleges and universities are not immune to the broader trends impacting higher education. Technology, the economy, demographics, and work force needs are intersecting in complex and novel ways. Many of us are grappling with a common set of questions: What are the technological, economic, and demographic trends that most strongly impact our institutions? How are these changes playing out in relations with the government, media, and public? How do we need to change and innovate in order to survive and thrive amid these changes? To answer these questions, we need to develop a shared understanding of just what those challenges are.

The Association of Jesuit Colleges and Universities (AJCU) Fact Files present a helpful, if sobering, snapshot for examining financial trends. Total enrollment at the AJCU schools grew substantially between 2003 and 2011, but declined from 2011 to 2013. Pre-recession, tuition increased by an average of 6.7 percent. Since 2009, the growth rate slowed by almost half, as tuition increases averaged 3.5 percent. Data relating to financial aid are less clear but appear to indicate that discount rates (financial aid provided by the institution) have increased over this period. These trends constrain our ability to grow net tuition revenue, the traditional solution to our financial challenges. They impact our institutions differently based on market position, location, recruiting base, and mission.

Here are some questions that we invite you to consider:

- How is your institution working to develop a shared understanding of its changing environment and of the need to respond?
- What strategies will help your institution identify the right course of action – to balance those things that must change with those things that must be preserved or enhanced?
- What opportunities are emerging within this challenging context and how can you most effectively pursue them?

A Historical Perspective

The end of World War II through the 1980s is often described as the golden age of American higher education. It was a period of increasing prosperity in United States. There was a growing middle class, fueled in part by middle-skill, high-wage jobs. Technological advancements changed workforce needs which created professions requiring college education; jobs that were eliminated primarily

Robert Dullea serves as the vice president for university planning and the vice provost at Seattle University. Heather Geiger is the manager of university planning at Seattle University.

involved physical labor. Higher education enrollments grew faster than the general population, and tuition increases outpaced overall inflation. During this period, what higher education provided aligned cleanly with what society needed. The added value of higher education for the graduate, for employers, and for society was tremendous. For graduates, the return on investment – earnings potential, employment options, and quality of life – grew faster than tuition increases.

Higher education was both a contributor to and a beneficiary of a rising tide. In this context, the adaptive strategy for colleges and universities was to “climb the ladder.” By raising tuition and enrollment, institutions could increase revenue, quality, reputation, market share, alumni loyalty, and fundraising. This strategy became the default for higher education, and it has been the norm for so long that institutions find it challenging to think in different ways.

The context, however, is changing. The cycle of job creation and destruction continues, but now technological innovation and the global economy chip away at white collar or professional jobs. Many of the careers for which we are now educating people are at risk. We are also in a very different economic situation. In the wake of WWII the United States entered a sustained economic boom. Today, job growth and wages in the wake of the recession of December 2007 to June 2009 have been slow to recover.

Today’s graduates are not reaping the benefits of their college education in the way their predecessors did. They have paid more, borrowed more, and are more likely to be underemployed. The middle class that fed the growth of higher education for many years is hollowing out. An economic elite will sustain parts of the system, but a large and growing population will find it difficult to access education as it is currently provided and priced. How are Jesuit universities and colleges, as part of our ethical obligation to students, considering the environment they will face and changing the education we provide to support their success?

In one important sense, our current environment reflects the golden age of higher education. New populations of potential students are seeking access to higher education. A half century ago, they were often veterans funded by the G.I. Bill. Today, they are members of communities that have traditionally not had access to college. Too many of these students are unable to attend. In the most unfortunate cases, students are able to attend for some period of time but leave an institution with significant debt and no degree. How do we respond to this problem in a way that encourages student financial literacy, minimizes the number of former students in untenable financial situations, yet does not make our institutions less welcoming to students with lesser means? This challenge will be among the most difficult that Jesuit institutions will face.



Boston College

This challenge plays out in several ways. It is reflected in increasing concern that debt held by both colleges/universities and students is unsustainable and that higher education may be the next economic bubble to burst. It has manifested itself in the form of downgraded credit ratings for many institutions and the negative outlooks that both Moody's and Standard and Poor's have issued for the education industry, citing reduced revenue growth prospects, growing expense pressures, limited ability to adjust, and increased competition for students. It also is reflected in greater public frustration that tuition has grown faster than income, inflation, and the resources of potential students.

Challenges Going Forward

An interesting way of framing the differences between the 20th and 21st centuries was presented at Thomas L. Friedman's Next New World forum: the 20th century was a time of financial abundance, knowledge scarcity, and reliance on experts and institutions. The 21st century is a time of financial scarcity, knowledge abundance, and reliance on individuals and communities. This comparison has implications for higher education. The people who make the most dire predictions regarding the future of higher education are typically those who consider

“the lecture” to be the industry's most essential element and who understand *learning* primarily to be content or knowledge acquisition. If we understand the 21st century as a time of scarce dollars, abundant knowledge, and distrust of institutions and experts, we can see why “the sage on the stage” – the expert providing knowledge in exchange for tuition dollars – is no longer a compelling value proposition.

Ignatian pedagogy, with its emphasis on experience, reflection, and action, is a very different model from the passive, note-taking role assigned to the student in the traditional lecture. It is an active learning pedagogy, developed hundreds of years before the notion of active learning was popularized. It is a tremendous asset for Jesuit colleges and universities, but its practical value depends on how this approach is implemented, an important question for each Jesuit institution.

It has also been argued that higher education is ripe for “disruptive innovation.” This concept, developed by Clayton Christensen of Harvard Business School, describes the dynamic through which established industries are replaced by new competitors that use a different, less expensive, business model. The newcomers initially serve lower-resourced and under-served segments of the market, then improve in quality, expand their market share, and ultimately displace the incumbents.



University of San Francisco

Christensen argues that higher education is a classic established industry – overpriced and inflexible – and predicts that half of the colleges and universities currently operating in the U.S. will shut down within 15 years. In the *Times Literary Supplement*, economist Tyler Cowen observes that American higher education is more indebted than it appears on the books due to implicit debt from salary commitments to tenured faculty and commitments to programs and sports. Tuition increases will be difficult to implement due to the slow economic recovery, sluggish entry-level wages in labor markets, recalcitrant state legislatures, and student debt challenges.

Costs Escalate

The relationship of government to higher education was once primarily one of support and investment; the most obvious example is the G.I. Bill. Today, it is more regulatory. The government has imposed myriad statutes and regulations, including the Higher Education Act, Cleary, Sarbanes Oxley, and Gainful Employment, that have good intent and value but that also impose significant costs. The Higher Education Compliance Alliance has developed a “compliance matrix” that includes 264 distinct requirements. In 2012 Hartwick College found that staff logged over 7,000 hours completing federal compliance forms. *The Atlantic* estimated the cost to a university of taking federal financial aid at \$1,000 per student; Vanderbilt put the figure at \$1,100.

Legal liability, insurance policies, and accreditation are all increasingly demanding. These requirements have cultural as well as financial implications. At Seattle University, we have seen many situations in which faculty, staff, or students become frustrated by what they see as an arbitrary or misguided rule imposed by some administrative office. Staff in that office are, in turn, equally frustrated by the challenges of ensuring that all parts of the university comply with externally mandated directives. This situation negatively impacts campus culture and reduces agility at a time when we need to be nimble.

Is College a Good Investment?

The value of a college education is increasingly, and publicly, under debate in a way that focuses on three questions. How much have costs increased? Is college still a good investment? (Or to make it a more nuanced question, for whom is college a good investment?) Finally, how big a problem is student debt? The extent to which these questions are unresolved is striking.

Federal statistics tracking inflation in college tuition are based on published sticker prices. They show an increase of 107 percent since 1992. This figure plays a

significant role in public and governmental discussions of higher education. College Board data factor in financial aid and show an increase of 22 percent for private four-year colleges and a net price increase of 60 percent at public four-year institutions, reflecting lower levels of government support.

Total student debt now exceeds \$1.2 trillion; whether or not this figure constitutes a crisis depends on whom you read. The *Economist* noted that “Between 1993 and 2012, the share of American graduates taking out student loans increased by 25%, and the average debt per graduate more than doubled, after adjusting for inflation.” At the same time, the Brookings Institute said that Federal Reserve data “strongly suggest that increases in the average lifetime incomes of college-educated Americans have more than kept pace with increases in debt loads.”

Student loan default rates also are a key figure. For the 2011 cohort, the national average is 13.7 percent, and the private non-profit average is 7.2 percent. AJCU rates range from 0.8 percent to 8.1 percent, with a median value of 4 percent. It is good to see these relatively low figures for Jesuit institutions, but each institution should consider why this is the case. Have we been better at professionally preparing our students so that they are better able to repay their loans? Have the ethical and moral dimensions of a Jesuit education made our alumni more committed to meeting their financial commitments? To what extent do we simply enroll students with academic and financial backgrounds that support them regardless of the education we provide?

How do we understand the value proposition – the return on investment – of higher education? For students as a whole, the value of education continues to grow not because graduates are more successful but because the options for non-graduates are deteriorating. While there will always be spectacular exceptions (Bill Gates, Steve Jobs, and Mark Zuckerberg typically top the list), it is increasingly difficult to prosper in American society without a degree.

Increased college costs play out across the financial spectrum. People with fewer resources are priced out, while those with more resources are more cost sensitive and have escalating expectations for services and amenities that are expensive to deliver.

Technology and Competition

Technology impacts higher education in three key ways. First, technology is ubiquitous and expensive: it requires sizable investment within limited resource environments. It is changing the employment opportunities for and the skills needed by our graduates. It has expanded the ways that education can be delivered, thereby upending the competitive landscape of higher education.

Higher education faces new forms of competition. Businesses and industries are developing alternate ways to teach and certify knowledge and skills. This trend can develop in ways that compete with the college degree, especially if competency-based certifications gain broader acceptance with the public and employers. Established universities and new competitors have experimented with technology to deliver curriculum in new ways. The Massive Open Online Course, or MOOC, is a web-based course, typically free, easily scalable, and intended for a global audience. Proponents framed MOOCs as an alternative to standard higher education and argued that they are the disruptive innovation that will eventually displace traditional colleges and universities.

The conversation has shifted as the challenges facing the MOOC instructional model have become more apparent. Students are more successful when they have an engaged presence to help personalize instruction, offer encouragement, and provide accountability. These resources are not “scalable” in the way recorded lectures and automated exams are. Distance education can be high touch and it can be highly inexpensive, but it cannot, as of yet, be both.

Instructional technology will continue to improve. Advances in social media, gaming, and other fields will inform this work. We need to better understand and take advantage of web-based education. How are Jesuit colleges and universities thinking creatively about combining the best of what we always have done with emergent models and opportunities? What are our opportunities for improving the education we provide and extending the reach of our institutions?

Challenges and Opportunities

Part of the challenge to creative thinking is that the discussion has focused more on challenges than on opportunities. It is a discussion that in many ways has put traditional higher education on the defensive. Books like *Academically Adrift*, *Hacking the Academy*, *The End of College*, and dozens of others offer pointed critiques. Higher education is prominent in the national media in ways that are not positive; stories like “Is College Doomed?” from *The Atlantic* are not uncommon.

These criticisms tend to be expressed primarily in terms of employability, and they follow a common storyline. The market value of technical expertise continues to grow, and the particular expertise that is needed evolves ever more rapidly. Employment is serial and retooling is ongoing. Universities are too slow and too expensive, and as a result industries are developing new models of certification. The traditional degree has become less meaningful and valuable, and eventually it will be obsolete. Fareed Zakaria summarizes the conversation in this way: “The irrelevance of a liberal education

is an idea that has achieved that rare status in Washington: bipartisan agreement.... [T]echnical training is the new path forward. It is the only way, we are told, to ensure that Americans survive in an age defined by technology and shaped by global competition.”

This perspective is often accompanied by prescriptions or recommendations. Higher education should disruptively innovate itself: we should create the low cost alternative that will otherwise displace us from outside. We should reinvent education by eliminating tenure, forgoing accreditation, abandoning the credit hour, so we can shrink and rise again as leaner and smarter organizations.

This is a conversation about both our value and our future, and we need to be listening carefully. At the same time, we cannot help but recognize that many of the remedies proposed are unworkable and would not serve the educational missions of Jesuit colleges and universities. There is, however, an interesting counterpoint to this conversation, in which the changes in our society and our economy are seen as placing a different set of demands on colleges and universities. Fareed Zakaria poses the question of whether it still makes sense to “study English in the age of apps.” His conclusion is different from that reached by many in the media and government. The rapid evolution of technology means that technical and vocational education is quickly outdated. It is the liberal education that provides the communications skills, the creativity, and the ability and desire to keep learning that are most needed in this new world. Dov Seidman, in his book *How*, similarly argues that individuals and organizations must develop and operate within a framework of sustainable values: “in the twenty-first century, principled behavior is the surest path to success and significance in business and in life.” William Deresiewicz’s *Excellent Sheep*, which outlines the limitations and shortcomings of an education intended primarily to foster professional success, is another good example of this genre. These authors argue for a “traditional education,” not in spite of extensive social changes but in response to those very changes. They call for an education that develops people with those qualities that technology will not quickly replicate: critical thinking, judgment, character, and leadership. These are qualities that align very well with the missions of the Jesuit colleges and universities.

The problems facing higher education – facing each of our institutions – are bigger and more complex than what we have experienced before. At the same time, we know, and we see through the growth of our students, that what we do remains vital. Our Jesuit institutions have tremendous core strengths: we provide high quality education that is desired by potential students and that is of value to society. At the same time we will not excel and we will not be the best institutions we can be without changing and addressing difficult questions. ■