American Higher Education in Transition
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A Few Current Challenges

• Increased pressure on financial aid budgets
• Pressure to limit tuition Increases
• Public focus on degrees that “promise” higher earnings increases pressure on public and private institutions to defend the value of liberal arts education
• Declining state support for public higher education
• My take away message – private institutions have a unique advantage relative to their public sector counterparts because of the differences in governance structures and the financial models under which they operate and smart ones will exploit this advantage
Why Tuition Keeps Rising?

- Aspirations of academic institutions (cookie monster analogy)
- Perceptions that where one goes to college matters almost as much as whether one goes to college
- Belief in importance of small class sizes
- USNWR rankings
- Growing use and cost of technology
- For the publics add cutbacks in state support
The Nature of Faculty Positions Has Also Changed

• Dramatic growth in the share of faculty that is part-time
• Doubling of the percentage of full-time faculty that is not tenured or on tenure-tracks
• Today only about a third of all American faculty members are full-time and tenured or on tenure-track appointments
Why did this change in faculty composition occur if tuition was increasing so rapidly?

- Large increase in the tuition discount rates at private institutions
- Why did the wealthy and most selective privates increase grant aid so much?
- Why did the other privates do so?
- The publics have had to contend with massive cutbacks in state support
How Institutions Allocate Their Resources has also Changed

• Declining share of resources going towards faculty salaries and benefits

• Increasing shares going to student services, academic support, research, and institutional support (administration)

• Be cautious about reducing student service expenditures
Efforts to Reduce Administrative Costs

- Large universities and Bain (Cornell example)
- SUNY System
- Wisconsin Association of Independent Colleges and Universities Collaboration Project
- Coalition for College Cost Savings
Collaborating to Enhance Academic Mission and Reduce Costs

- Five Colleges in the Pioneer Valley and the Tri-College Consortium in Philadelphia
- Using Technology (My Cornell class)
- A virtual classics department (Sunoikisis)
- Online Consortium of Independent Colleges & Universities
Pressures on American Higher Education

• We no longer lead the world in terms of the share of our young adults with college degrees, which has serious implications for our nation’s economic prosperity

• Concern that high tuition will limit our ability to improve access and persistence is putting pressure on institutions to limit tuition increases
Pressures on Public Higher Education

• Pressures to increase enrollments and graduation at the same time that funding continues to be reduced has led to increased attention in many states to the role of public 2-year colleges and expanding enrollments at them

• Attention to strategies to improve flow of student from public 2-year to public 4-year colleges

• Perceptive private colleges and universities should view this as an opportunity (large “leakage” already of graduates of SUNY 2-year colleges to private 4-years in the state – encouraged by Bundy Aid formula)
Pressure on Publics (2)

- Pressure to use resources more efficiently - focus on revenue generated vs. cost of each faculty member (Texas example) - will lead to increased pressure on publics to increase the use of adjuncts
- Research on role of tenured and tenure-track faculty – there is no such thing as a free lunch
- Opportunity for private academic institutions to emphasize quality of their product and contrast their graduation rates with those of publics with similar student profiles. Publics must increase efforts to improve persistence
Pressure on Publics (3)

- Pressure to produce graduates in fields that will enhance earnings and state tax revenue. Leads to a devaluation of the liberal arts
- Ignores value of socially important occupations with relatively low earnings (such as K12 teaching, social work and nursing)
- Ignores difficulty of matching up undergraduate majors with occupations graduates enter
- Private universities have the freedom to make the case for the liberal arts that their public sector counterparts may not have. Impress upon public trustees and academic leaders the importance of doing this
Growing for Profit Higher Education Sector, NCAT, and Open Learning Initiative

• Leaders in restructuring methods of delivering education through the use of technology to improve learning and reduce costs

• Advantages of these approaches may not be obvious to institutions that do not have lots of large classes. However, once one thinks about pooling academic resources across campuses (including those for course development), NCAT approach may become more attractive to privates and smaller publics
Looking to the Future

• Growing use of technology to expand active learning and reduce costs

• Growing use of full-time and part-time non tenure-track faculty – many will not have PhDs

• Increasing pressure for accountability – will lead to increased pressures to evaluate faculty at least partially based upon student outcomes - will further stress faculty/administration relations

• Decline in American students going on for PhDs
Looking to the Future

• Growing use of net price calculators to increase transparency

• Growing consideration of strategies to limit tuition increases or to cut tuition. It is an open question as to whether these strategies will work