

Economic Trends in Higher Ed: Beyond the Crunch

Article

Higher education in 2020 is facing new economic challenges and a rapidly evolving environment.

You know that higher education is in a money crunch when even Harvard reports a \$10 million deficit and starts implementing belt-tightening measures! Across the country, higher-education institutions of all sizes are experiencing unprecedented economic pressure as the financial fall-out of the COVID-19 pandemic continues. They're cutting liberal arts course offerings, graduate student aid, and even tenured teaching positions as the shortfalls start to look like they'll be here for the long haul.

In the midst of this unsettling time, Verizon held a popular webinar—[Crunch Time for Higher Ed](#)—to explore current economic trends and to look for hope ahead, beyond the sea of red ink and dire forecasts. Here are just some of the trends that the participants explored, and insights that came out of their discussion.

COVID-19 exacerbated existing economic problems.

Less state support, declining enrollment, growing student concerns about debt—these are just some of the underlying economic realities that colleges and universities were already facing before COVID-19 came along. “There was already a looming student shortage to provide all the revenues that these institutions needed,” said Tyler Cowen, professor of economics at George Mason University. “Schools became more dependent on foreign students, which put them in a precarious position. And when we started to see recent graduates with advanced degrees driving for Uber or working as bartenders, people started questioning the value of higher education.”

In short, COVID-19 didn't start a lot of the economic issues faced by higher education. But it made them more apparent, and much worse. The trend toward consolidation of institutions will continue, as will the heated competition for students.

Potential students have a strong need for relevance.

The trend toward reconsidering the value of higher education is confirmed by [recent national Strada-Gallup survey](#) of more than 350,000 Americans. The survey results showed that while interest in higher education is up 21 percent due to COVID-19, it's accompanied by decreased confidence that it will be valuable. In fact, the percentage of adults who strongly believed that additional education is worth the cost dropped from 37 percent to 18 percent in 2020. As for expectations that additional education would help them get a good job, that's down from 56 percent a year ago to 24 percent today. The critical factor? Potential students need to believe that additional education would be relevant to their work and daily lives—and that it would lead to job opportunities²

Accepting more students often means lowering admission standards.

If it was hard to attract students before, COVID-19 made it even more difficult. Are schools lowering their admissions standards to stay financially viable? In a word, yes. “Everyone is lowering admissions standards,” said Cowen. “If they can't get top students from China, then they'll take more—and less exclusive—students from elsewhere for revenue. They'll take them from other schools, so lower-tier schools will lose a lot of their better students.” Participants pointed out that a couple of good, COVID-free semesters could return foreign students to the mix, though economic realities and shifting demographics will continue to reduce the pool of incoming students.

Online learning will evolve, improve and expand.

It's clear that online education is here to stay, even when COVID-19 retreats. It offers a ripe opportunity for schools to innovate by making careful choices about how they offer classes. For example, if a college can put 20 percent of its less-popular classes online, it may be more cost-effective than offering these classes live. They'll have to charge less, but it may open up opportunities to attract students further afield.

“Colleges have to come up with virtual learning experiences that are compelling enough and strong enough to attract new students,”

– Alan Cox, Executive Vice President
for the Center for Digital Education

And while some classes are inherently more challenging to migrate online (e.g., lab classes), others can make the shift gracefully—and may thrive online.

Once a cash cow, sports may end up looking like a dog.

Some may sneer at the role of sports in higher ed, but COVID-19 sports season cancellations are a major loss for some high-profile schools, which rely on sports to fuel their identity, as well as to fill their coffers. Schools that became overly reliant on sports for revenue are feeling the pain now. But for schools that run unprofitable sports programs just to stay competitive, now is a good chance to pause or jettison them, saving funds and refocusing their institution.

The town and gown are equally effected.

Yes, higher education institutions bear the brunt of the current economic crunch. But don't forget the trickle-down effect. If students aren't flocking to college towns to rent apartments, buy furnishings, and spend money, college towns and their citizens suffer, too. Smaller towns are already being hit very hard economically—even more so if the challenges of COVID-19 continue deep into 2021. And their recovery will take time, even if/when students return.

There is light at the end of the economic tunnel.

There are new opportunities for colleges and universities that can get through this era fiscally in the black—and with their reputations intact. When the world returns to some version of normal, these are the schools that will be ready to welcome students back to campus. As participants pointed out, a lot of well-run institutions have responded phenomenally to the challenges of COVID-19, while others have simply written off 2020-21 as a lost school year. Dedicated administrators (including the financial team) and educators can pull an institution through hard times, like wartime—or COVID-19. This tenacity will serve these institutions well far in the future.

Higher ed can survive and thrive.

Every crisis is an opportunity, as the well-worn saying goes. Despite the very real and daunting financial challenges facing higher ed, not all of the topics discussed in the Verizon webinar were gloomy. Many of the participants looked at the opportunities gained, not just the revenues lost. And there was widespread agreement that this is one of the most challenging periods to come along in generations.

So what are some of the strategies for getting through it, educationally and economically?

- Build up online capabilities and integrate new technologies to open new markets.
- Don't wait for normal to return—recognize and adjust to the new realities.
- Strengthen face-to-face learning and choose when it's necessary.
- Attract new student populations, at home and abroad.
- Create an equally nurturing environment for students, on campus and online.
- Invest in instructor training to create a rich online learning experience.

And above all, stay nimble, aware and responsive to changing conditions—because all higher education institutions need to make smart choices in the months ahead.

Learn more.

Crunch Time for Higher Ed is just one of the webinars created by Verizon to explore key topics in higher education. For more information, [speak to a higher education expert](#).

1 "Colleges Slash Budgets in the Pandemic, with 'Nothing Off-Limits'", Shawn Hubler, New York Times, October 26, 2020. Source: <https://www.nytimes.com/2020/10/26/us/colleges-coronavirus-budget-cuts.html?searchResultPosition=1>

2 "Postsecondary Paradox," Dave Clayton, Inside Higher Ed, October 8, 2020. Source: <https://www.insidehighered.com/views/2020/10/08/consumer-perspectives-value-higher-education-and-paradox-underneath-enrollment>