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How the Great Recession Reshaped American Higher Education

By Lindsay Ellis | SEPTEMBER 14, 2018

✔ PREMIUM

Greg Kahn, GRAIN

Students work in a nonprofit innovation incubator at the U. of Maryland at College Park. Since the recession, colleges and universities have opened entrepreneurship programs and taken other steps to demonstrate their role as engines of the local economy.

Morgan R. Olsen was feeling excited in 2008, as he prepared for a major career move. He had accepted a top gig at Arizona State University, managing its finances as executive vice president and treasurer. But in his first semester on the job, Lehman Brothers filed for bankruptcy, a key moment in the nationwide economic recession that would rattle higher education and many other American sectors.

"It got a lot more exciting in a hurry," Olsen said in a recent interview.

During the past 10 years, the financial meltdown and its aftermath have spurred considerable change in how academic leaders run their institutions, public research universities in particular. Immediate funding shortfalls and tightened credit from banks squeezed many colleges, leading to furloughs and cutbacks.

The longer-term effects of the recession have been more profound and less obvious. They have altered campus revenue streams, influenced students' choice of major, reshuffled the composition of the academic work force, and prodded colleges to emphasize their role as economic engines.

Institutions have had to prove their worth to both prospective students and skeptical state governments, many of which have reduced appropriations. Once prized as important societal investments, campuses have had to fend for themselves.

“Higher education in most parts of the country is moving from what is perceived as a public good, as economists would define the term, to a private good,” Olsen said. “As that has happened, I think it has forced everyone to look at how they generate the resources.”

After taking short-term steps to stop the bleeding a decade ago, Olsen realized fairly quickly that the financial impact of the recession would endure.

Arizona’s state colleges and universities in 2017 received less than 40 percent of their revenue from educational appropriations, down from about 64 percent in 2007, according to the State Higher Education Executive Officers, commonly known as Sheeo.

This isn’t a temporary deviation from what was once normal, he remembers thinking. This is an inflection point.

Enrollment Push

Like many public institutions whose states reduced funding during the recession, Arizona State focused on enrollment as a more reliable revenue stream. Administrators there recruited international and out-of-state students, who paid more than in-state students. Foreign enrollment rose by thousands of students between the fall of 2008 and the fall of 2017. Thousands more students enrolled online, too.

The enrollment pitch was framed largely in terms of the benefit to the graduate. Colleges and universities advertised their degree programs as helpful to students seeking employment in a tough market. But students’ choice of where to go to college — and, in some cases, whether they even should — became increasingly complicated. The recession both spurred attendance and constrained choices.

As homeownership declined, families had less wealth to send their children to high-tuition colleges, according to research by Bridget Terry Long, now dean of Harvard University’s Graduate School of Education, that was published in a National Bureau of

Economic Research book on the recession's impact on higher education.

With unemployment on the rise, however, some prospective students no longer had to give up income if they enrolled, returned to complete a degree, or sought training for a new job. Ultimately, Long found, attendance grew in the years after the recession struck, particularly in states hardest hit by the downturn.

College and university revenue sources changed quickly too. By the 2017 fiscal year, most states drew more revenue from tuition dollars than from educational appropriations — for the first time ever, according to Sheeo.

That shift has forced each campus to analyze demand for its majors. In Texas, for example, public institutions of higher education must regularly review the number of graduates produced by each degree program.

Paula Myrick Short, the University of Houston's provost, said colleges must be more data-driven when evaluating demand for new majors, which to be established must attract more students to a campus.

Some estimates now indicate the pool of prospective high-school students will soon decline, particularly in the Northeast and the Midwest, which will affect public and private institutions alike. The drop in birth rates and in-migration are seen as other long-term effects of the recession.

"We can't operate in a vacuum anymore," Short said. "No longer can we be a silo, no longer can we be isolated. I think we're much more outward-looking because the external world is much more inward-looking — at what we're doing."

'Fragile Disciplines'

Administrators' focus on enrollment for revenue growth forced institutions to pitch themselves to prospective students as a boost for employability. Practicality was key. That mantra, however, undermined one of academe's core areas: the study of the humanities.

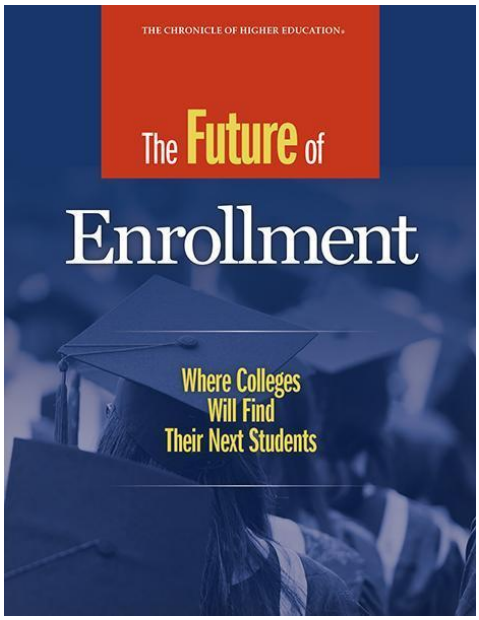
"It's almost like a business proposition," said William A. Herbert, executive director of the National Center for the Study of Collective Bargaining in Higher Education and the Professions, at the City University of New York's Hunter College. "So many forces are pushing for education [to be] viewed as a commodity, as an expectation with a return. It's devaluing education."

Ronald J. Daniels, president of the Johns Hopkins University, was walking near its Decker Quad last year when he heard a student saying he had dropped an introductory philosophy course. "His friends shrugged. You gotta get a job," Daniels wrote this month in an email to the campus.

Daniels, who did not return a request for comment through a spokesman, also wrote that he regretted not entering the conversation to advocate for the humanities, which he said are now often called "fragile disciplines."

"I would have told the student (gently, of course) that he was misinformed about the job market," he wrote. "It is true that many employers are looking for students with specialized technical skills and competencies, but they are also looking for other capabilities … the uniquely human qualities of creativity, imagination, discernment, and moral reasoning will be the ultimate coin of the realm."

The Future of Enrollment



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But students and their parents were spending tens of thousands of dollars in tuition, and they sought the promise of concrete benefits.

About 88 percent of freshmen surveyed in 2012 by the University of California at Los Angeles's Higher Education Research Institute reported that a very important reason to attend college was "to get a better job," then an all-time high in the institute's long-running survey. It outranked "to gain a general education and appreciation of ideas," at 72.8 percent.

Many graduates who had majored in liberal arts, social science, or education expressed buyer's remorse. They were more likely than science and engineering majors to say they wished they had chosen a different field of study to prepare for their ideal job, a Pew Research Center study found in 2014.

"They're getting this message from home: 'The main thing is, you've got to get a job,'" Catherine W. Howard, Virginia Commonwealth University's vice provost for community engagement, said at a recent event held by the Association of Public and Land-Grant Universities. "These parents have experienced the hardships of the downturn."

Benjamin M. Schmidt, an assistant professor of history at Northeastern University who regularly studies data on humanities enrollments, said he expects humanities majors will remain a small percentage of degrees awarded. He expects tenure lines in the humanities, too, to be flat.

But there is something that could herald further drops, he said: another financial crisis.

'Return on Investment'

Like their students, colleges have adopted a more bottom-line ethos since the recession.

From 2007 to 2011, colleges staffed their faculties with more of an eye on cost containment. The growth in contingent and part-time faculty hiring far outpaced the growth in full-time tenure-track positions, according to a 2017 U.S. Government Accountability Office analysis of federal data. During that time, higher education added nearly nine times as many full-time contingent jobs as tenure-track ones. The GAO attributed some of that growth to expanding for-profit colleges and two-year programs, but those trends were clear, too, in four-year public and private institutions.

Adjunct and other part-time faculty members organized widely in the years after the recession, with a major uptick in unionization efforts by 2012-13, said Herbert, director of the collective-bargaining center.

Union drives had existed for years before the recession, Herbert said. But the financial crisis heightened the anxiety of non-tenure-track faculty members, who had little negotiating power. Compensation, insurance, and money for research were major issues at play.

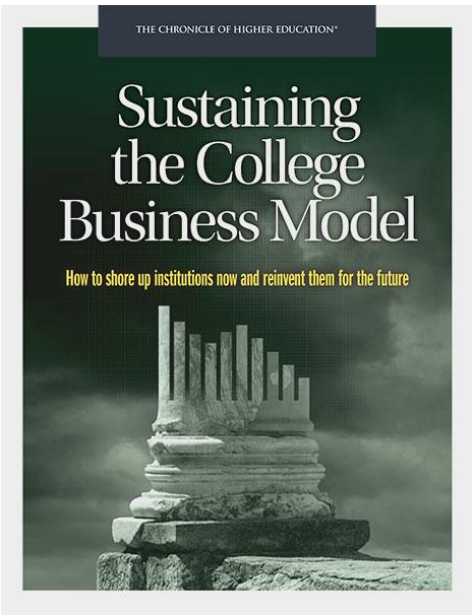
The emphasis on costs and benefits in college and universities' business models has, in turn, shaped notions about the purpose they are supposed to serve.

“It’s becoming less of a long-term investment in terms of developing individuals, productive citizens,” he said. “It’s becoming more of a commodity, more of an immediate return on investment.”

Community colleges and research universities alike now often use those terms to describe their value. They routinely cast their worth in terms of a return on investment, often through their economic impact on the surrounding community. They have also brought increased attention to their role in fostering entrepreneurship, in classrooms and by spinning off local businesses.

Academic programs in entrepreneurship have sprouted up, as the job market for new graduates seemed increasingly precarious. Pennsylvania State University started a minor in entrepreneurship in 2013, with clusters in agriculture, business, communication, and engineering. Cornell University this year created a similar minor, and multimillion-dollar donations and grants at Louisiana State University at Baton Rouge and the University of North Carolina at Chapel Hill bolstered similar programs in 2017.

Sustaining the College Business Model



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Meanwhile, many colleges have looked to model themselves on past examples of institutions, like those in the Research Triangle of North Carolina, that spurred an economic renaissance in their communities.

In 2015, Penn State started a $30-million economic-development program through which the university opened “innovation hubs” across the state, from Erie to the Philadelphia suburbs. In many cases, the hubs offered free services, including co-working space and legal advice, to community members. The program, officials said, expanded the university’s mission to include entrepreneurship and innovation.

But higher education's embrace of this new identity — champion of the local or regional economy — has had a mixed record at best.

In some ways, many research universities and midtier institutions with aspirations have come to resemble Arizona State's "New American University," an ideal of a growing, entrepreneurial public institution with responsibility for the welfare of its community. Its president, Michael M. Crow, crafted the model before Lehman Brothers' collapse.

Administrators have become "more careful" as they manage their institutions, Arizona State's Olsen said. But, he added, colleges and universities are not universally prepared for the next recession.

Olsen hopes one day society will again widely acknowledge the positive impact of higher education and invest accordingly in public colleges. But he's not optimistic.

"When I put on my business hat," he said, "I don't think we can make that assumption."

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