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The Great Enrollment Crash

Students aren't showing up.
And it's only going to get worse.

By BILL CONLEY

September 6, 2019

Question: Who do you think made the following observation — and when?

“Even more alarming is the perception among a growing number of young people today that, with escalating college costs and diminishing payoffs in terms of guaranteed career opportunities, a postsecondary education simply may not be worth the huge investment.”

If you guessed that I pulled this from a magazine article published in the past couple of years, you wouldn't be alone. Point of fact: The above statement was made by Jack Maguire in *Boston College Magazine* ... in 1976.

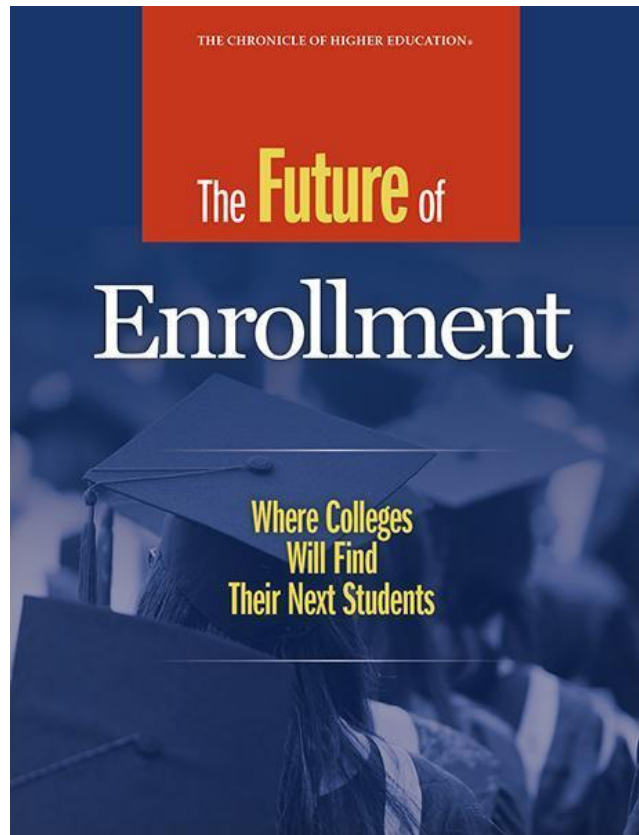
For those of us who have been doing admissions work for a while — I’ve been in the business since 1980 — to hear some form of Maguire’s concern today just seems like déjà vu all over again. The 1980s were quickly dubbed the “demographic decade” as high-school graduation rates declined and a stubborn recession pressed family pocketbooks. In fact, Maguire is widely acknowledged as the father of enrollment management, the science that would be called upon to relieve higher education’s enrollment pressures at the time.

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The two decades that followed saw ebbs and flows in high-school graduation rates and an inexorable increase in the sticker price of college. Yet with each demographic blip, and with every crossing of a new *are-you-kidding-me?* threshold for cost of attendance, colleges still reported record selectivity, robust enrollments, and financial-aid programs that, for some, effectively reduced sticker shock. Indeed, reports of a higher-education bubble about to burst appeared to be greatly exaggerated. American higher education seemingly had an elasticity that could withstand periodic, short-term fluctuations in demand and cost.

Then came 2008. The Great Recession devastated university endowments, shattered the majority of family wealth and income, and confounded the predictive modeling of enrollment managers. The near-term chaos was very real. Somehow, at varying rates, most

colleges managed to survive, but in order to do so they established a “new normal” that would allow them to claim renewed stability for the long haul. That brings us to the summer of 2019, when the cracks in this new normal really started to show.



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As has been the case in recent years, Bucknell University had a large and talented applicant pool for the Class of 2023. Setting an aggressive target of 980 (40 more first-year students than in 2017), our yield model indicated that our admit pool, plus 30 to 35 students enrolled from the wait list, would safely land us there by the first day of fall classes. That all changed on May 2. The enrollment-deposit spigot went dry, considerably short of our goal. As it turned out, we would need to enroll about 100 students from our wait list.

In the process of calling these wait-listed applicants, we learned that Bucknell was hardly alone in its shortfall. Up and down the selectivity ladder, especially among private colleges, yield models had been invalidated by a sea change in student college-choice behavior. After the May 1 deadline for candidates to accept or reject admissions offers, the National Association for College Admission Counseling (NACAC) provides colleges the option to post a “still open for business” status alerting potential applicants that there’s still time to submit an application. For classes entering between 2014 and 2016, the average number of colleges that would consider postdeadline applications over that three-year span was 436. For the past three years? The average was 554 — a 27-percent increase.

This is my summer of 2019 takeaway: Higher education has fully entered a new structural reality. You’d be naïve to believe that most colleges will be able to ride out this unexpected wave as we have previous swells.

Those who saw modest high-school graduation dips by 2020 as surmountable must now absorb the statistical reality: Things are only going to get worse. As Nathan Grawe has shown (<https://www.chronicle.com/article/Demographic-Changes-as-Destiny/242062>), a sharp decrease in fertility during the Great Recession will further deepen the high-school graduation trough by 2026. Meanwhile, the cost of attendance for both private and public colleges insists on outpacing inflation, American incomes continue to stagnate, and college-endowment returns or state subsidies can no longer support the discounting of sticker prices. And nearly three out of four (<https://www.washingtonpost.com/business/2019/08/19/out-economists-predict-us-recession-by-survey-finds/>) economists reportedly believe a significant recession is likely to be underway by 2021.

This perfect storm has changed, and will continue to change, student and family college-choice behavior for the next decade and more. I see this playing out across three dimensions: majors, money, and mission.

As any number of reports have shown, students have been inexorably marching away from the traditional liberal-arts majors. One such report (<https://www.humanitiesindicators.org/content/indicatordoc.aspx?i=34>) from the American Academy of Arts & Sciences noted that bachelor's degrees in the humanities represented 17 percent of all

degrees conferred in 1967, compared with 5 percent in 2015. Pitzer College, a nationally ranked liberal-arts college, reported that the five top majors among its Class of 2019 (<https://participant.pitzer.edu/commencement/>) were: environmental analysis, organizational studies, biology, economics, and psychology. Some preprofessional majors are faring no better: Bachelor's degrees in education declined by 15 percent between 2005 and 2015. It is little wonder that the Pennsylvania System of Higher Education, significantly dependent on teacher education, has seen its 14 state-owned universities lose 20 (https://www.witf.org/2019/04/29/pennsylvania_colleges_face_steep_enrollment_declines_in_2026/) percent of their collective enrollment since 2010.

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I don't see these trends changing, especially when coupled with stagnating income and the resulting pressure on a family's return-on-investment calculus. Many in higher education assume families don't value the liberal arts anymore, but it's more nuanced than that. Families hear the importance of "soft skills" (communications, creativity, etc.); they just don't accept their children need to major in a liberal-arts field to gain them and to secure a job after graduation. Continued adherence to traditional, low-demand curricula or knee-jerk adopting of "hot" majors will only exacerbate the problem.

Bucknell's most significant shortfall this year was in admitted students who were offered financial aid. I heard from other enrollment managers who had a similar experience. So, what gives?

One answer could be Virginia Tech — not just the institution itself but the sector it represents. Virginia Tech overenrolled (<https://www.chronicle.com/article/Virginia-Tech-Has-1000-More/246416>) its incoming first-year class by 1,000 students (talk about a yield model imploding!). My guess is they did not anticipate the sharp rise in students aiming to attend lower-cost, high-profile public institutions. Last year, four of the top six enrolled-overlap schools for Bucknell were public universities. We fully expect to see at least that many for the Class of 2023.

The handwriting was probably on the wall, as the national, first-year discount rate had already crested the 50-percent mark; according (<https://www.nacubo.org/research/2018/nacubo-tuition-discounting-study>) to the National Association of College and University Business Officers (NACUBO), it was 39 percent as recently as 2008. This steep rise is significantly fueled by colleges that have adopted the airline pricing model: If the plane is going to fly anyway (and if there are still spots open), no harm in getting even pennies on an otherwise unsold ticket. For colleges discounting at or above the national figure, this is unlikely to be a sustainable strategy. However, in the meantime, they are no doubt pulling students away from

colleges that expect full-pay or better-pay students to foot the true bill. In short, price sensitivity is a structural reality when supply (number of college beds and desks) is greater than demand.

At the dawn of the 20th century, the railroad industry nearly collapsed. Why? Because industry leaders (wrongly) believed their primary mission to be railroading, not transportation. For too long, colleges — public and private, liberal arts and research-driven, rural and urban — have operated as if they're solely in the higher-education business rather than in the broader postsecondary-education sector.

Traditional residential colleges took solace in slaying one-and-done competitors like the University of Phoenix or MOOCs. Now the challenges come on multiple fronts: There are still for-profit insurgents clipping at our heels, not to mention distance-learning platforms, academic boot camps, and company-sponsored certificate programs. Consider this comment

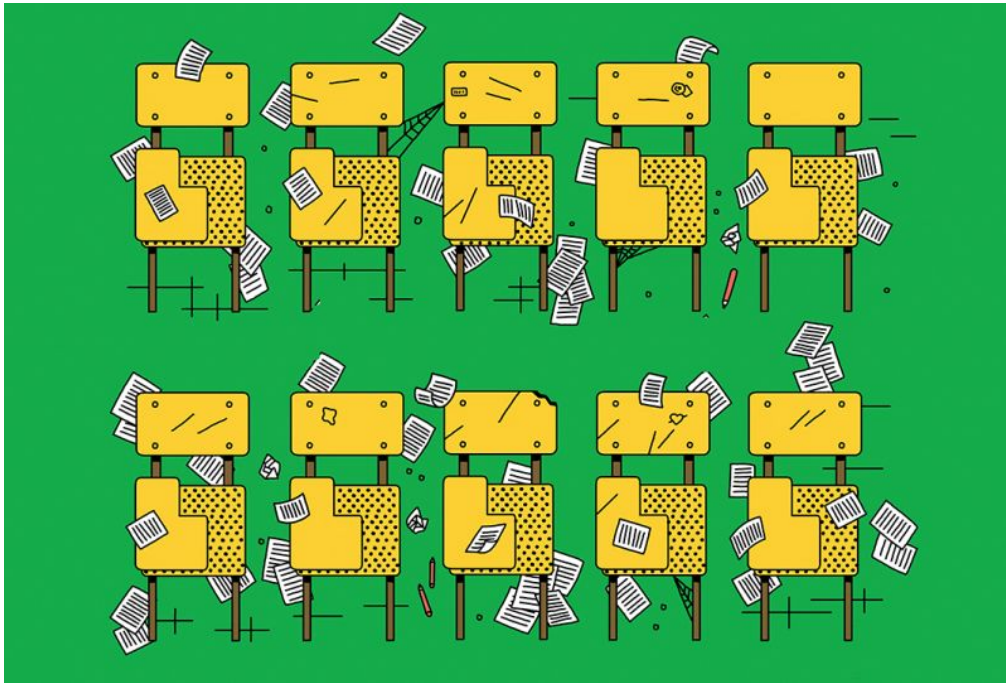
(<https://www.businesstoday.in/latest/trends/tim-cook-apple-ceo-says-4-year-degree-not-necessary-coding/story/345666.html>) from May 2019 by Tim Cook, Apple's chief executive: "I don't think a four-year degree is necessary to be proficient in coding. I think that is an old, traditional view."

I don't expect Bucknell's analysis of this year's admissions cycle to show any meaningful incursion by nontraditional competitors. However, what we won't know is how many high-school seniors opted out of the four-year college pathway in favor of shorter-term, anytime, lower-cost credentialing. These legitimate competitors pose risks enrollment managers must acknowledge before it is too late.

Disruption is here to stay. Campus leaders cannot change the wind direction, but they can trim the institutional sails. For too long, the admissions dean or enrollment manager had the lone hand on the tuition-revenue tiller. Now, it's all hands (campus leadership, faculty, staff, trustees, etc.) on deck, pulling the tactical lines in a coordinated, strategic fashion. Given the perilous voyage ahead, what will your institution's mix of majors, money, and mission be?

Bill Conley is vice president for enrollment management at Bucknell University.

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