



EAB'S HIGHER ED

State of the Sector

2022

5 Emerging Realities Shaping the Future of Higher Education

Executive Brief



State of the Sector 2022

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The Fight to Be Chosen

Higher education leaders have long been attuned to disruption—the demographic cliff, the threat of widespread closures, and the “unbundling” of the degree, to name a few—and its role in shaping the market. And the Covid-19 pandemic and subsequent events have certainly demonstrated the wide-ranging impact that disruption can have on institutions.

While bracing for disruption, it’s easy to overlook how much competition has fundamentally reshaped the higher education landscape. In particular, the emergence of three competitive market forces are already raising the stakes for institutions and altering what it means to “win” in key markets:

- 1 Winner-take-most dynamics are concentrating certain markets** as a small number of institutions capture a disproportionate share of graduate enrollments, talent and funding.
- 2 The competitive set—for both students and employees—is rapidly expanding.** Institutions are no longer only competing with each other, but with the private sector and off-campus obligations.
- 3 The pool of higher education consumers is shrinking,** as demographic declines reshape the enrollment and labor landscapes.

This year’s *State of the Sector* research explores how these competitive forces are redefining five key terrains, as well as what market leaders must do to distinguish themselves in the years to come. Cabinet and executive leaders should use this briefing to identify the market shifts that are most likely to impact their institutions, as well as the strategic opportunities to improve their competitive positioning. Use the discussion questions to guide cabinet-level conversations and the additional EAB resources provided to make progress on key institutional priorities.



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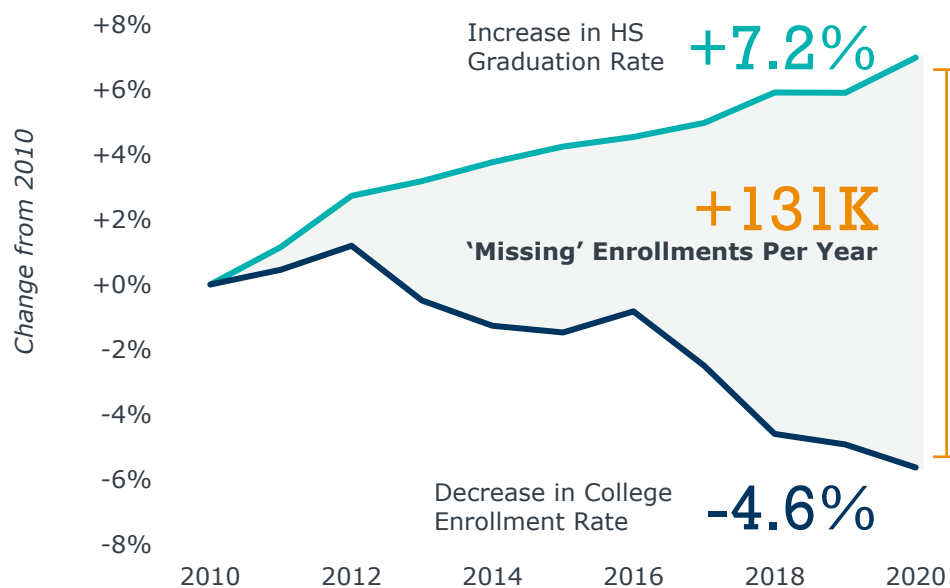
The Widening Gap Between High School Graduation and College Enrollment

Demographics dominates conversations around undergraduate enrollment, but nonconsumption poses a more immediate threat. While institutional strategy must address the impact of the looming “demographic cliff,” EAB’s latest research suggests nonconsumption poses a more immediate and growing threat. Nonconsumption describes the proportion of students who graduate high school each year, but fail to matriculate to higher education, a population that has steadily risen over the past decade.

While high school graduation rates have increased by approximately 7% since 2010, college enrollments over the same period have declined by nearly 5%, and the pandemic will likely widen that gap. If enrollment rates had instead remained flat, college and universities would’ve gained roughly 131,000 more students per year; put another way, incoming classes would’ve been about 6% larger. A decline of this magnitude has sector-wide implications, and data emerging from K-12 suggests that the pandemic has only accelerated the trend toward nonconsumption. Specifically, the rise in chronic absenteeism and lost learning is likely to further erode the college pipeline and shrink an already demographically-challenged pool of prospective students.

The Non-Consumer Market is Getting Bigger Every Year

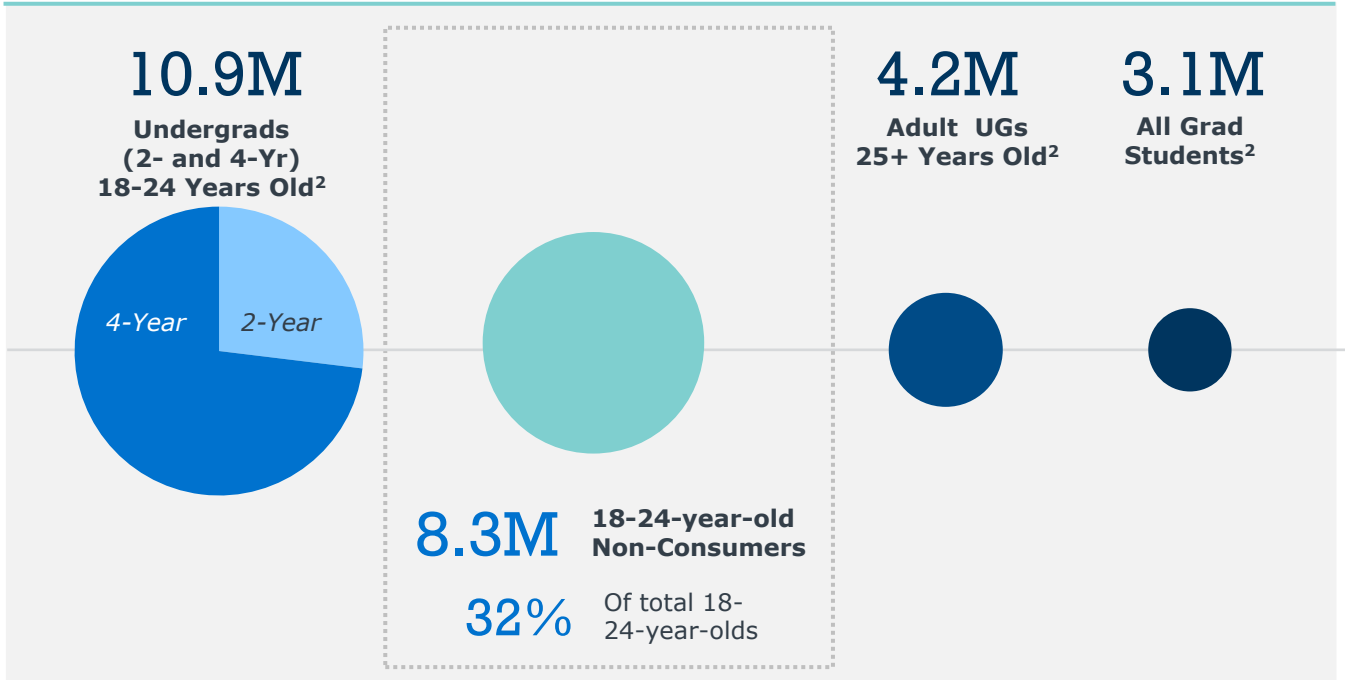
Change in K-12 to College Pipeline (2010 to 2020)



1

Many institutions offset demographic declines by growing adult and graduate enrollments, but the nonconsumption market is simply too big to ignore. There are roughly 8.3 million 18-to-24-year-old in the nonconsumption market, and while not all are planning or able to enroll in college, survey data suggests that two-thirds are either actively interested in higher education or are on the fence.

Non-Consumer Market Presents a Major Opportunity¹



- 1) Population bubbles scaled to diameter
- 2) Refers to enrolled populations, not total addressable market

Many non-consumers attribute their decision to skip higher education to unnecessary—and addressable—hurdles in the application and onboarding process. In fact, EAB analysis estimates that up to 25% of the nonconsumption market is comprised of “summer melters”—students who were accepted to but failed to enroll in college. Institutions therefore have a tremendous opportunity to both close the nonconsumption gap and grow their enrollments by identifying and removing early enrollment barriers.

Most Want to Attend College, But Experience Barriers

Quotes from HS grads choosing not to pursue college, Pennsylvania Senior Exit Survey 2020-2021

“I didn’t want another year of online school. Online school has taken a significant toll on my mental health.”

“The college process was much harder than I thought. I felt like I had no clue what I was doing.”

“My mom isn’t working right now and I’m worried about money”

1

Questions to Ask Next

- 1 How big is our opportunity with nonconsumption audiences, and where are they?** Invest in data-sharing capabilities and partnerships to size your local non-consumer market. This may include partnerships with local high schools to share data that helps you identify students who graduated high school but did not immediately enroll in college.
- 2 What barriers keep this population from enrolling and how can we eliminate or lower those barriers?** Deploy targeted support to streamline enrollment and reduce summer melt. Identify current cracks in your enrollment pipeline and design interventions that eliminate unnecessary procedural barriers and provide students with just-in-time support.

Additional Steps from EAB:

- 1** Learn [How to Reduce Summer Melt](#) and engage non-consumers from higher ed enrollment leaders and EAB experts
- 2** Address and alleviate non-consumer affordability concerns with [9 Lessons on Communicating the Value Proposition of Your College to Increasingly Price-Sensitive Families](#)
- 3** Participate in a research call to inform the next phase of our Nonconsumption research

2

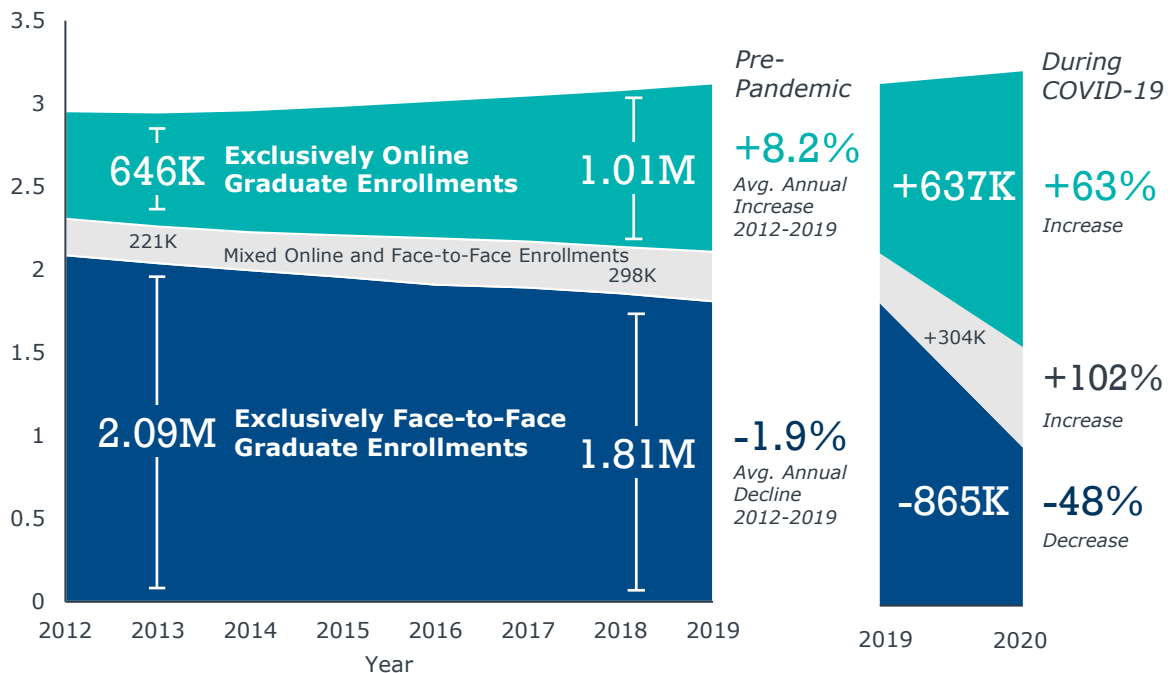
Established Graduate Programs Join the Online Revolution

Despite a long-term anticipated slowdown in professional graduate programs, enrollment grew at a rate of over 2% in 2020 and 2021, largely driven by growth at primarily online institutions. Equipped with established digital marketing strategies as well as a reputation for providing a seamless and flexible online experience, these institutions had a distinct advantage in recruiting students during the disruptive years of the pandemic.

While exacerbated by the pandemic-induced shift to remote instruction, this recent growth follows a decade-long expansion in the online graduate market. From 2012 to 2019, enrollment in exclusively online graduate programs grew by 8.2% annually, while enrollments in exclusively face-to-face programs declined by nearly 2%.

Online Grad Education Growing Fast Prior to COVID

Master's and Professional Doctorate Enrollments 2012-2020: Exclusively, Some, and No Online** Courses



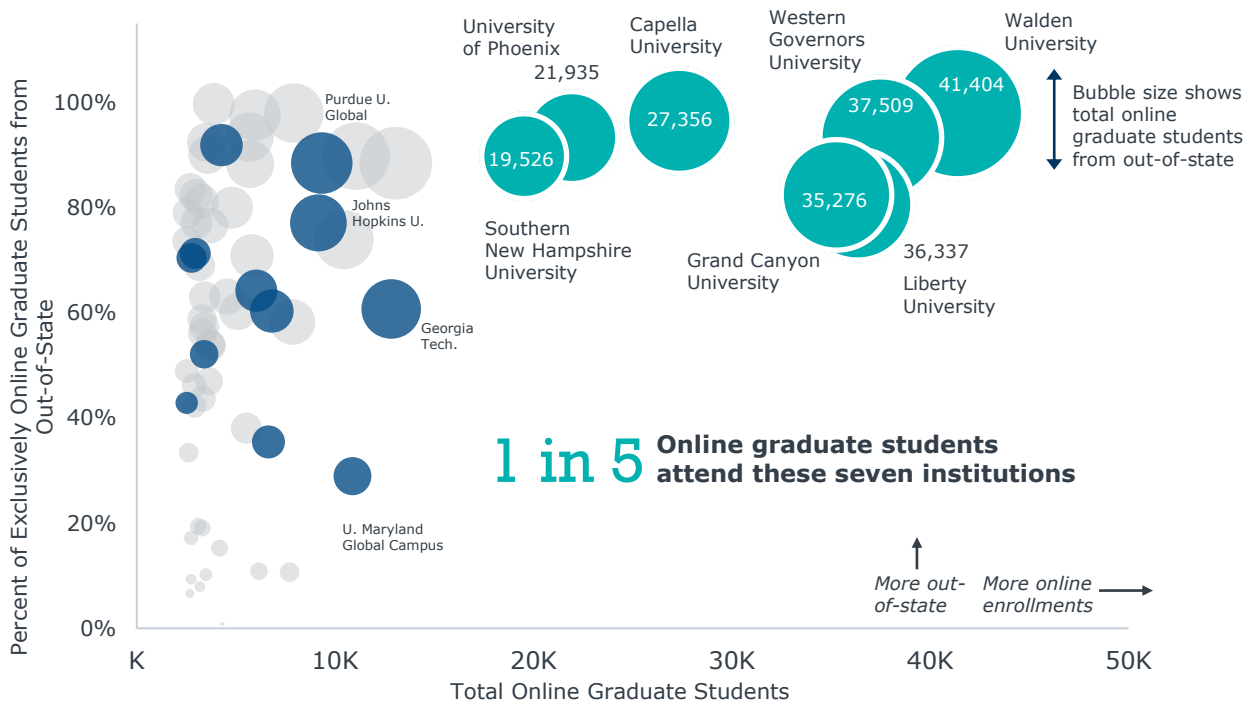
**Recorded as 'Distance Education' in IPEDS data

2

It's widely known that a select number of online "mega-universities" dominate the online graduate market. Yet many underestimate how concentrated enrollment growth in this space has been. As of 2019, one in five online graduate students attended seven primarily online institutions, all of which recruit from a predominately national (vs. local) pool. The size and reach—not to mention the enormous marketing spends—of these institutions allows them to capture a disproportionate share of the market.

Institutions With More Than 2,500 Exclusively Online¹ Graduate Enrollments, Fall 2019

Total Exclusively Online Graduate Enrollments and Percent From Out-of-State



However, some elite institutions have recently grown their market share by introducing lower-cost, stackable programs. These recent investments demonstrate the significant opportunities available for highly-selective institutions in the online space. Several universities have introduced MOOC-based degrees, which rely on the top of funnel reach and lower price point of MOOCs to expand accessibility and institutional market share. This type of programmatic transformation, including substantial reductions in price and increased emphasis on stackability will likely be necessary for more traditional institutions to break the near-stranglehold that online giants have on the market.

2

Questions to Ask Next

- 1 What is our current value proposition in the graduate market?** Determine if there are specific programmatic, reputational, regional, or employer-based factors that are driving enrollment, and whether they are unique from competitors. These may present a unique opportunity to expand into new populations or markets—including through MOOC-based or other stackable pathways.
- 2 What are our fundamental market assumptions around cost and modality, and how might they need to evolve?** Determine your target student's needs around these two factors and how your institution might better meet them, particularly in the wake of concentrated online market growth.

Additional Steps from EAB:

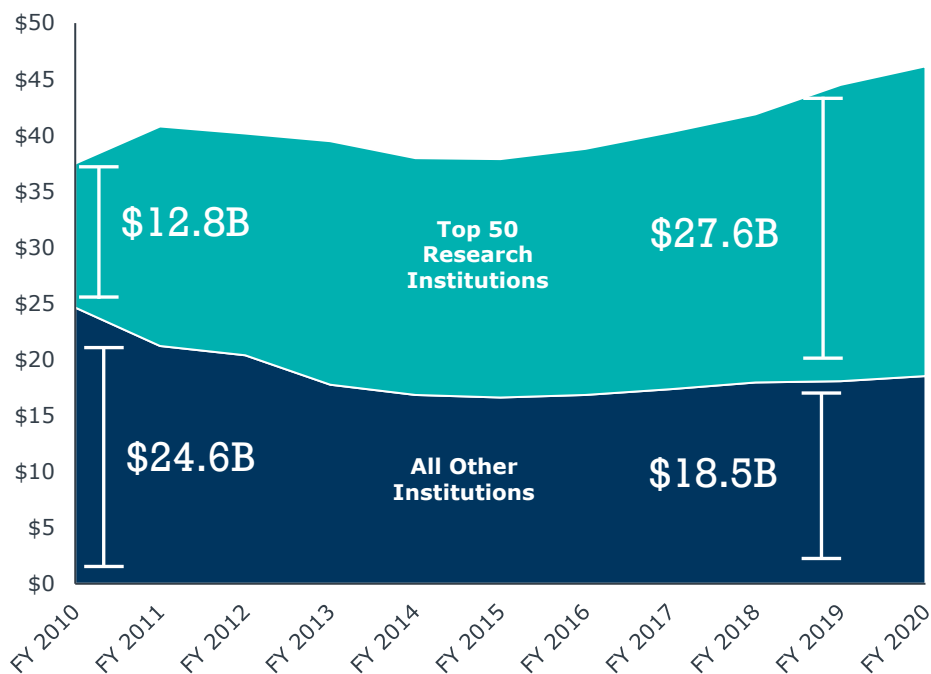
- 1** Inform your graduate enrollment strategy with the latest market analysis of competitive and programmatic trends in [The New Blueprint for Growth](#)
- 2** Learn about the [Opportunities and Threats of Alternative Credentials](#), and how market leaders are adding MOOC-based degrees to their graduate portfolios

3

An Increasingly Winner-Take-Most Research Funding Market

“Winner take most” dynamics have also shaped the market for federally sponsored research over the last decade. Namely, the top 50 institutions, in terms of R&D expenditures more than doubled their market share from 2010 to 2020, capturing roughly 1.5 times more federal funding than the rest of the market (roughly 600 institutions) combined.

Federal Research Market Share of Top 50 Institutions Doubled Over Last 10 Years¹
In Billions of Dollars, FY 2010-FY 2020



1) Adjusted for movement in and out of the Top 50. Since 2010, 43 of the Top 50 have been constant.

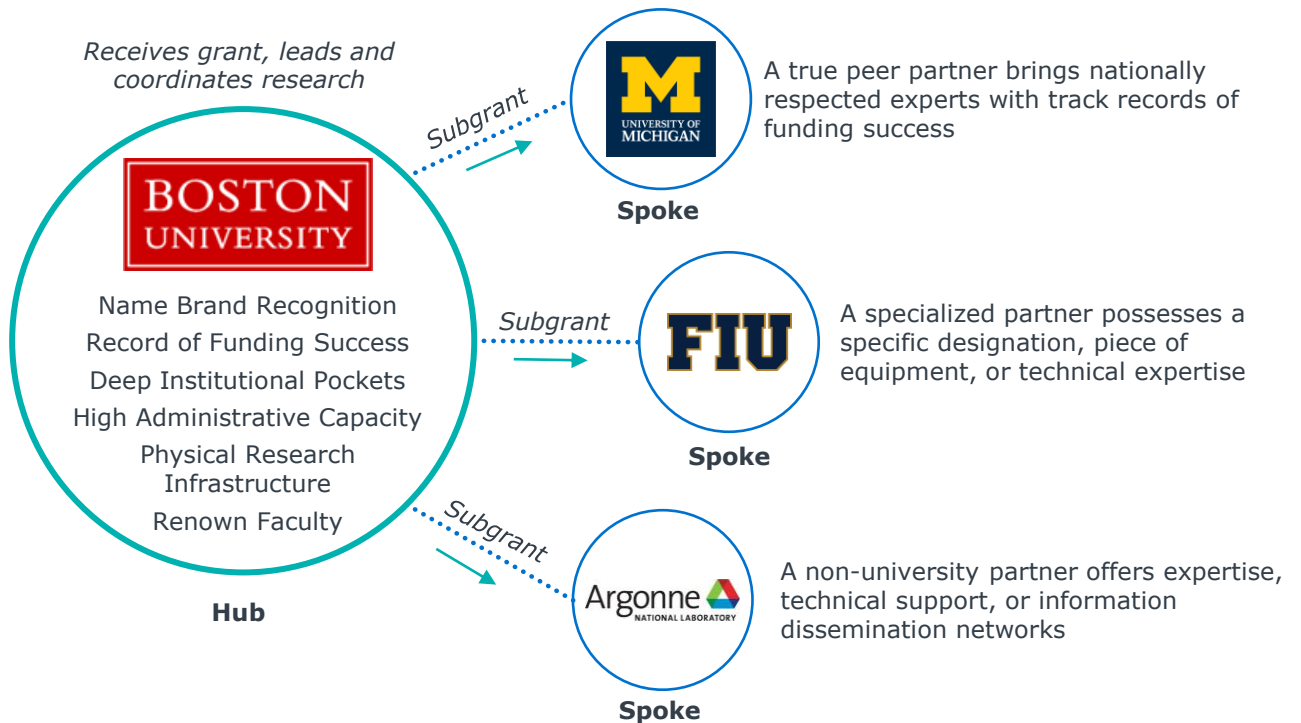
Several factors have contributed to the growing market concentration in the research landscape. Recent federal funding, for example, has been increasingly skewed toward defense and health sciences research, advantaging institutions with academic medical centers and robust health sciences programming. The top 50 institutions have also been aggressively expanding their reach by recruiting (and in some cases, poaching) top research talent, and scaling up their R&D infrastructure. Lastly, institutions at the top of the market have substantially and disproportionately expanded their research expenditures.

3

Since 2011, the top 50 institutions grew their own research investments by 140% while all other institutions increased their spending by 34%. Over that same time period, federal funding levels have remained largely stagnant. Thus, the dramatic uptick in institutional expenditures has allowed the top 50 to further separate themselves from the rest of the market, both in terms of size and ability to attract large grants.

Research funding consolidation is occurring alongside a trend toward increasingly large and complex awards—and away from a more decentralized, and PI-driven funding model. This shift favors large and well-resourced institutions who have the research infrastructure and extensive collaborator networks necessary to achieve the scale required.

The Research Hub and Spoke Model in Practice



Concentration of funding and expenditures at a small number of research institutions has contributed to the growth of a hub and spoke model of research development.

Funding flows to and through large hubs, who then coordinate research activities and distribute subgrants to a network of institutional and industry partners. To be successful in this model, institutions must take a strategic approach to research development, investing in specific areas of strength, while identifying and scaling complementary partnerships that broaden institutional reach.

3

Questions to Ask Next

- 1 What is our institution's part within the larger research ecosystem?** "Hubs" and "spokes" each have unique, critical roles to play within the research landscape. Consider where your institution likely fits before crafting a research strategy. Each player should invest differently to best capitalize on the "winner-take-most" market.
- 2 Do we have an effective network of complementary research partnerships that advance our strategy?** For hubs, this should include partners that fill critical research gaps and compliment strengths. Spokes should secure relationships with larger hubs by calibrating their unique strengths with the areas of need among hub candidates.

Additional Steps from EAB:

- 1 [Use Research Development to Pursue Large and Complex Federal Funding Opportunities](#)** and best position your institution in a concentrated funding market
- 2 Learn how to [Launch Grand Challenge Initiatives to Attract Large-Scale Research Investments](#)** and sustain institutional growth

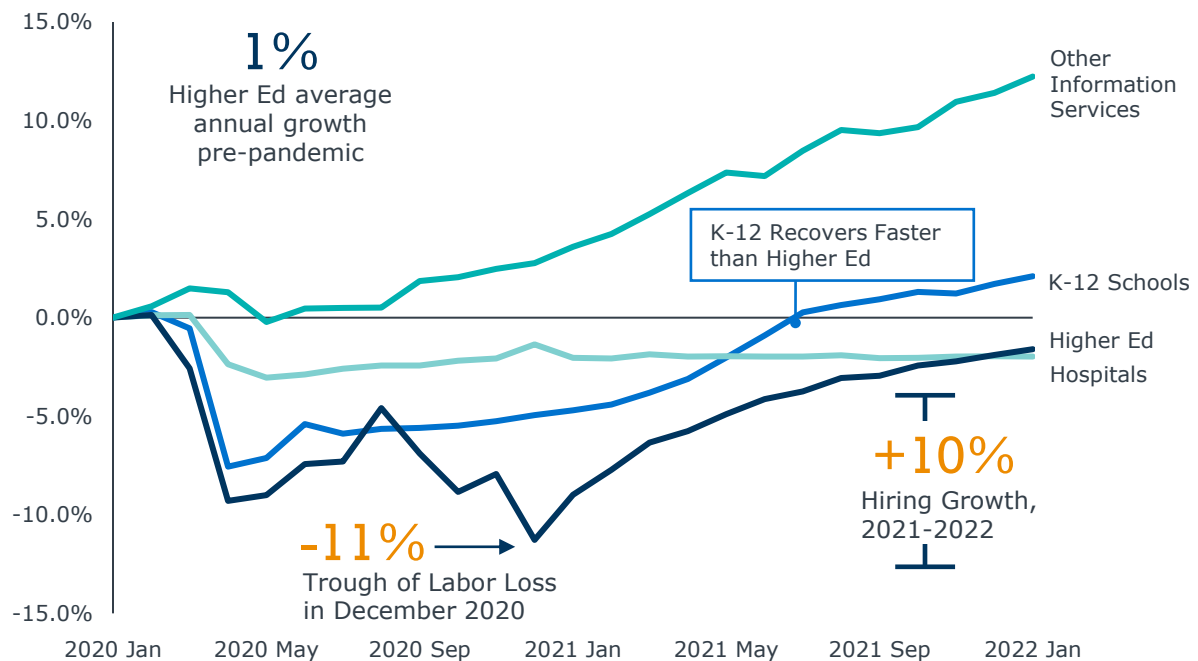
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The Long-Term Talent Crunch

Over the past several years, the talent market within higher education has been defined by pandemic-induced whiplash. Steep and sudden losses—resulting in 11% decline in staffing during 2020—were followed by blistering hiring growth. As a result, while sector-wide employment numbers are approaching pre-pandemic levels, institutional HR functions continue to be under tremendous strain, even as higher education lags behind the K12 and information services sectors.

Historically High Hiring Growth Stresses Higher Ed HR

Percent change in total employees from January 2020, seasonally adjusted



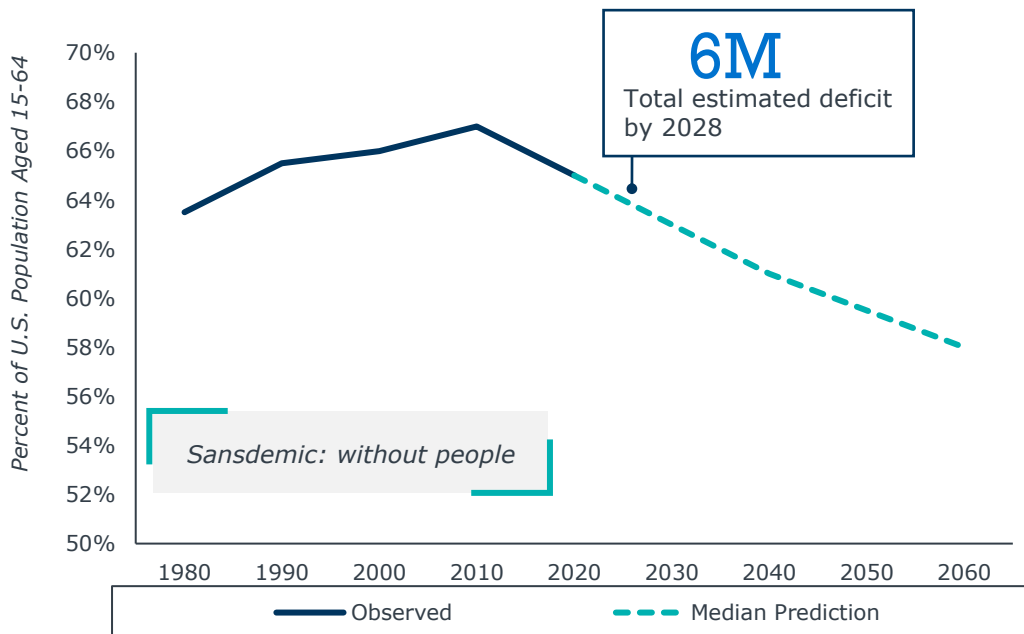
What these trends don't capture is high turnover across functions and institutions. This only further strains higher ed talent management functions. More and more higher education employees are looking outside of their institution—and industry—for career opportunities, driven in part by the growth of remote work opportunities. A survey of college and university HR and IT employees found that 40% are at least somewhat likely to look for new work in 2022. At the same, some executive search experts predict 50-60% turnover rates in institutional leadership positions.

4

Even once the impacts of the pandemic have subsided, talent shortages driven by demographic decline will likely reshape the market for years to come. Baby Boomer retirements combined with the low birth rates of the Great Recession and diminished immigration inflows will shrink the American workforce substantially in the future, with the 2020s experiencing the greatest impact. By 2028, economists estimate that the labor force will be six million workers short of demand. This shortage will undoubtedly raise the competitive stakes for employers, including colleges and universities.

From Great Resignation to Great Sansdemic

Decline in working age population



Attracting top talent from a smaller, and more competitive pool requires nothing short of a strategic talent management transformation. Competing with other institutions and industries for top talent will require articulating an employee-facing value proposition, quantifying non-compensation benefits, and developing a market-responsive remote work policy.

Colleges and universities that elevate talent management as a centralized and strategic priority, borrowing from best practices in the private sector will be best positioned to win in the coming years. These investments will generate returns not only for the institution, but for the experience and service it provides to students.

4

Questions to Ask Next

- 1 What is the employee value proposition at our institution?** Focus on articulating the unique, non-compensation benefits like healthcare and tuition assistance, and show the value in commonly misunderstood or underappreciated benefits of working in higher ed.
- 2 How can we learn and implement best practices from talent management advancement in other industries?** Board members have a unique ability to share how their industries have navigated talent shortages and strategy. The cabinet, in collaboration with the board, can pinpoint what higher ed can learn from private sector experience and where the institution is uniquely positioned to win.

Additional Steps from EAB:

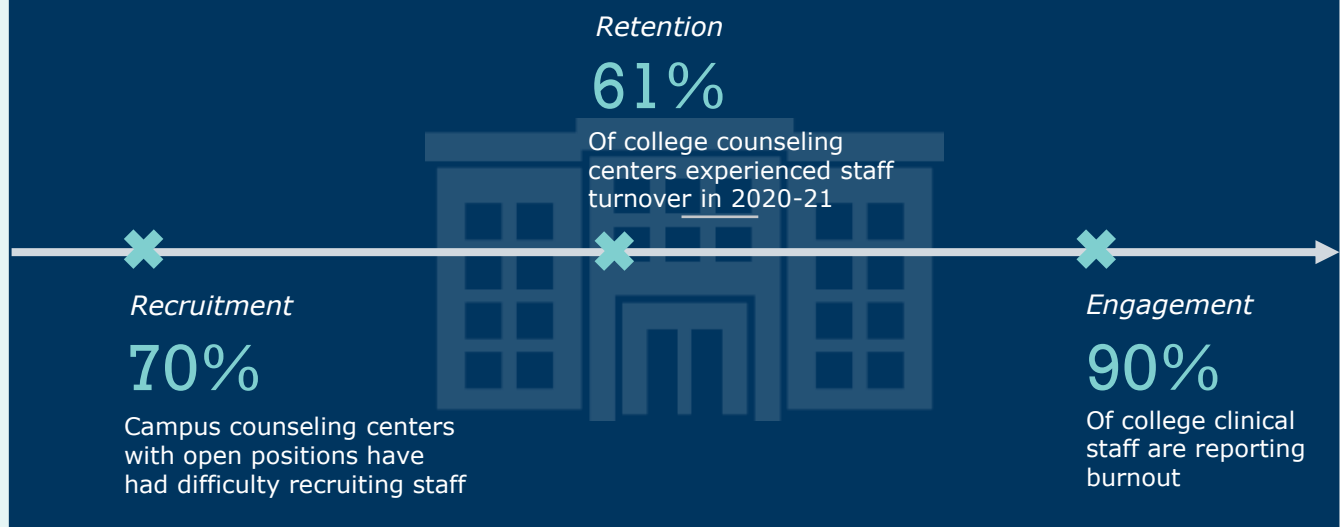
- 1** Use the [Remote Work Policy Audit](#) to ensure your institution is aligned with industry best practice to attract and retain talent in an increasingly remote labor market
- 2** Implement the latest HR best practices for talent management with the **Playbook for Staff Recruitment and Retention** (*coming Fall 2022*)
- 3** Participate in a research call to inform our Higher Ed Strategic Talent Management Transformation initiative

5

Talent Crisis Poses Student Experience Risks

Talent shortages in student-facing functions are negatively impacting the services and resources that students need most. There's perhaps no better example of this than in college counseling centers. Recent surveys of counseling center directors found that 70% of centers with open positions are struggling to recruit staff, while 61% experienced staff turnover in 2020 and 2021. For those who remain, increased workloads amidst escalating student mental health demands has created an unsustainable environment, and 90% of college counselors are currently reporting burnout.

The Talent Crisis in College Counseling



In order to address this growing crisis, executive teams should be leading on what was once considered an issue for HR or student affairs staff. To date, however, counseling center shortages have flown under the radar for most institutional presidents. Two-thirds of respondents in *Inside Higher Ed's* 2022 Survey of College and University Presidents said that their institutions had sufficient capacity to meet their students' mental health needs. This figure likely underestimates the current degree of turnover within the college counseling profession, as well as the significant competition that college counseling centers face from private practice.

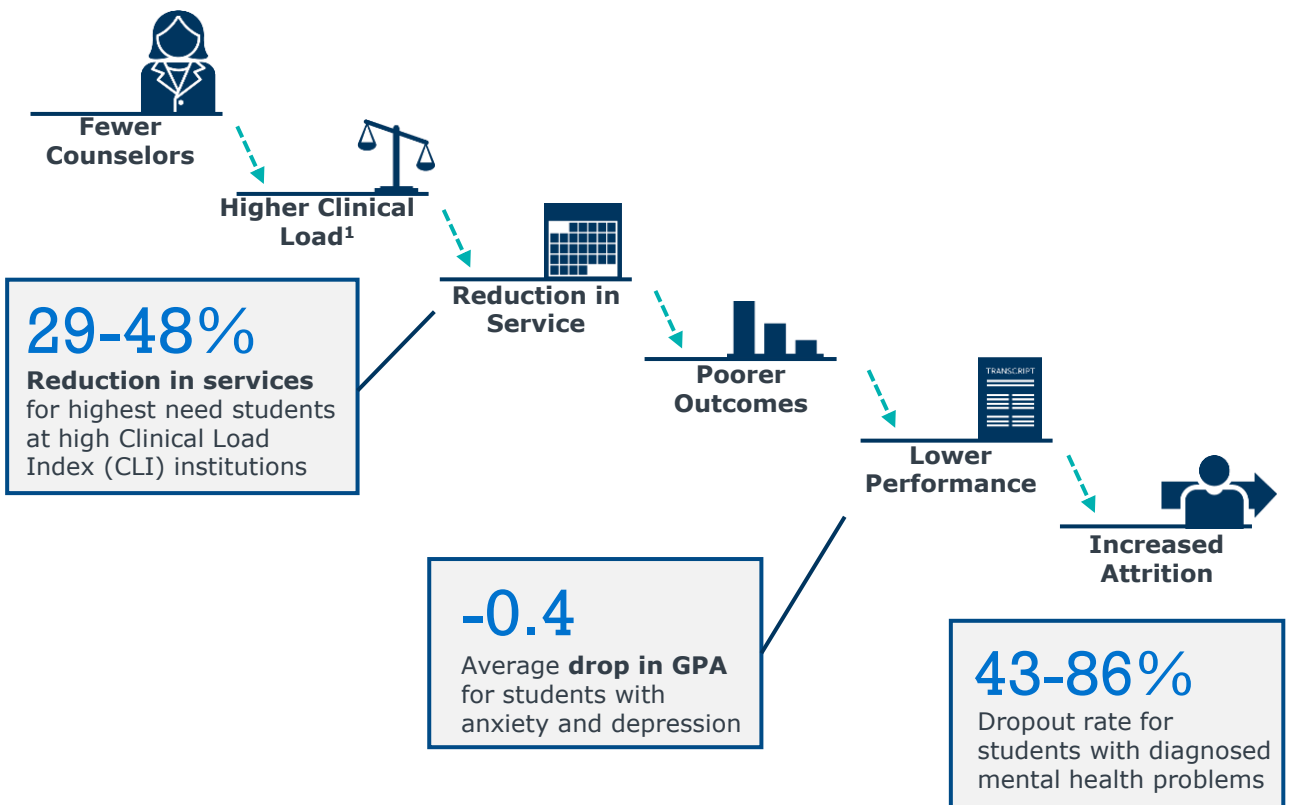
5

The counselor shortage is especially urgent because the connection between counselors and broader measures of student success is closer than many realize.

Research on the clinical load index (CLI¹) —roughly similar to advisor to student ratios—found that fewer counselors leads to fewer appointments for students, more days between appointments, and an overall reduction in services for the highest need students in particular.

Students at institutions with higher CLI experience less improvement in depression, anxiety, and general distress, all of which are associated with diminished student success outcomes. Therefore, continued talent shortages and burnout in the counseling center will likely have significant implications for student and institutional performance.

The Counselor-Student Success Connection



Combatting the ongoing talent disruption and meeting the growing mental health needs of students and staff requires elevating campus-wide well-being as a cabinet-level priority, alongside talent management. Successful institutions will devise institutional strategies that embed well-being into every aspect of the campus experience, while creating a culture of accountability for student and employee mental health.

1) CLI: # of students attending 1 or more appt + Weekly expected clinical hours when counseling center is fully staffed / # of counselors

5

Questions to Ask Next

- 1 What does an integrative campus well-being strategy that services the entire community look like?** Successful plans include concrete metrics and goals, specific actions linked to a timeline to achieve those goals, and accountability levers. Implementation of a campus well-being strategy will result in embedded support and well-being experiences across campus, reducing the burden on the counseling center.
- 2 How do we safeguard the student experience amidst talent shortages?** Identify the student-facing functions that have been most impacted by turnover and shortages as well as the opportunities to supplement these services, including peer networks, in-classroom engagements, and third-party vendors to ensure a high-quality student experience.

Additional Steps from EAB:

- 1** Use the [Faculty and Staff Mental Health and Wellness Resources Website Audit](#) to ensure that faculty and staff well-being needs are being met on campus
- 2** [Develop Student-Centered Well-Being Support](#) across campus to reduce the burden on counseling centers and improve the student experience



What's Next

The research and trends outlined in this brief represent the beginning of our investigation and outline our forthcoming research agenda. This work will be shaped by quantitative and qualitative market analysis as well as interviews with institutional leaders and industry experts. **We invite you to contribute to this work, as well as hear early insights directly from the research team by participating in a research interview and joining us at a virtual roundtable.**

Winner-take-most dynamics, expanding competitive sets, and shrinking pools of prospective students and employees will continue transforming the competitive landscape, and institutions must adapt their strategy to keep up. Use the following questions at your next leadership meeting to begin the conversation on how your institution can position itself to win the fight to be chosen.

Discussion Questions for Leaders:

- ▶ How do we sell higher education to an increasingly disengaged nonconsumption market?
- ▶ What differentiates our institution in a world of online giants?
- ▶ What partnerships will position us to win in a concentrated research landscape?
- ▶ What does an “employer of choice” mean in a nationalizing labor market?
- ▶ How do we promote campus well-being amidst talent shortages and staff burnout?

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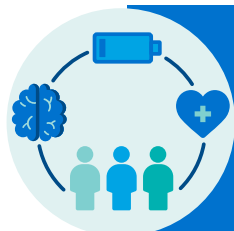


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the Talent
Shortage**

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Well-Being**

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Endnotes

The Widening Gap Between High School Graduation and College Enrollment

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