EAB

# Navigating Upheaval on Four Fronts

EAB's State of the Sector

Strategic Advisory Services

# Finding Opportunity across Four Areas

EAB's State of the Sector

## Areas of Opportunity

### 1
**External Accountability**

*Adapting to Tenuous Public Support and Heightened Political Scrutiny*

### 2
**Financial Sustainability**

*Confronting Business Model Strain Amid Dual Revenue and Cost Shocks*

### 3
**Market Relevance**

*Preparing Students for an AI-Transformed Knowledge Economy with Fewer Jobs*

### 4
**Institutional Agility**

*Driving Campus Change to Unlock Opportunity in a Disrupted Sector*



Source: EAB interviews and analysis.

# Navigating Upheaval on Four Fronts



## EAB's 2025-2026 State of the Sector

**Sector Headwinds** | **Campus Readiness**

**1**

**External Accountability**

*Adapting to Tenuous Public Support and Heightened Political Scrutiny*

2

**Financial Sustainability**



*Confronting Business Model Strain Amid Dual Revenue and Cost Shocks*

3

**Market Relevance**



*Preparing Students for an AI-Transformed Knowledge Economy with Fewer Jobs*

4

**Institutional Agility**



*Driving Campus Change to Unlock Opportunity in a Disrupted Sector*



Source: EAB interviews and analysis.

# A New Era of External Accountability



*Key Observations on Public Support and Political Scrutiny*

The Trump Administration is using ideological spotlights, coercive scrutiny, and regulatory levers to force institutions to comply

Federal policies are intensifying attention on sector vulnerabilities like value, accountability, relevance, and bias

Higher ed's social contract is being rewritten—and changes will likely outlast the current administration

Red-leaning states are advancing legislation that echoes federal themes, from restricting DEI to policing faculty speech

Despite slight gains in public trust, concerns over value/ROI, politics, and leadership still threaten sector legitimacy

## Higher Ed's Winning Platform in 2028?

1 **Power Jobs**

Be the fastest, reliable route to jobs that sustain families and keep America competitive

2 **Foster Civic Pluralism**

Make campuses the national model for open debate, civic learning, and civic literacy

3 **Advance National Resilience**

Put universities at the center of leadership in defense, health, and infrastructure

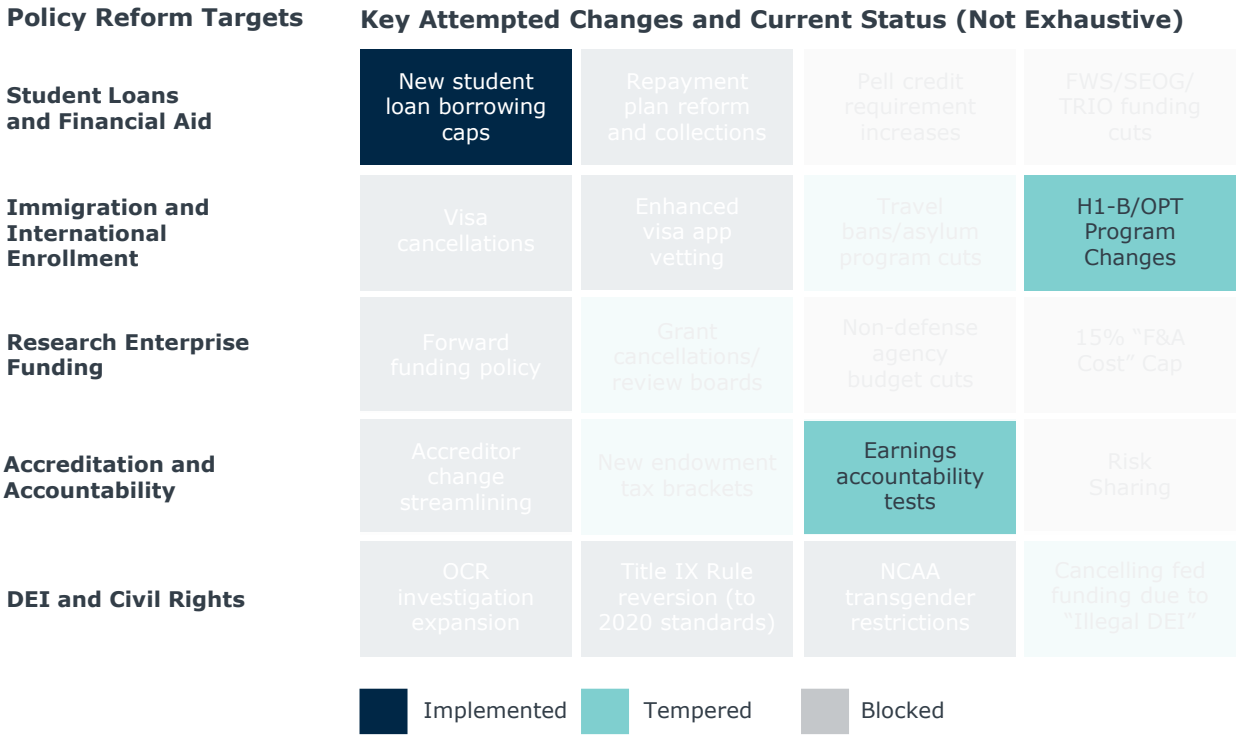


Source: EAB interviews and analysis.

# 2025 Could Have Been Much Worse



## Most Severe Proposals Tempered or Blocked by Congress or the Courts



# The Accountability Playbook Is Spreading



## Common Themes Quickly Gaining Traction in State Legislation

| Recent Legislative Action | Florida | Texas | Ohio | Indiana |
|---|---|---|---|---|
| Attempting to establish alternative accreditors | ✓ | ✓ | | |
| Expanding politically appointed board control | ✓ | ✓ | ✓ | ✓ |
| Limiting the influence of faculty senates | ✓ | ✓ | ✓ | ✓ |
| Implementing post-tenure review requirements | ✓ | ✓ | ✓ | ✓ |
| Limiting faculty speech on divisive issues | ✓ | ✓ | ✓ | ✓ |
| Requiring course syllabi to be posted online | ✓ | ✓ | ✓ | ✓ |
| Placing viability thresholds on the number of graduates from programs | | ✓ | ✓ | ✓ |
| Banning DEI programs and initiatives | ✓ | ✓ | ✓ | ✓ |
| Requiring commitment to intellectual diversity | ✓ | ✓ | ✓ | ✓ |

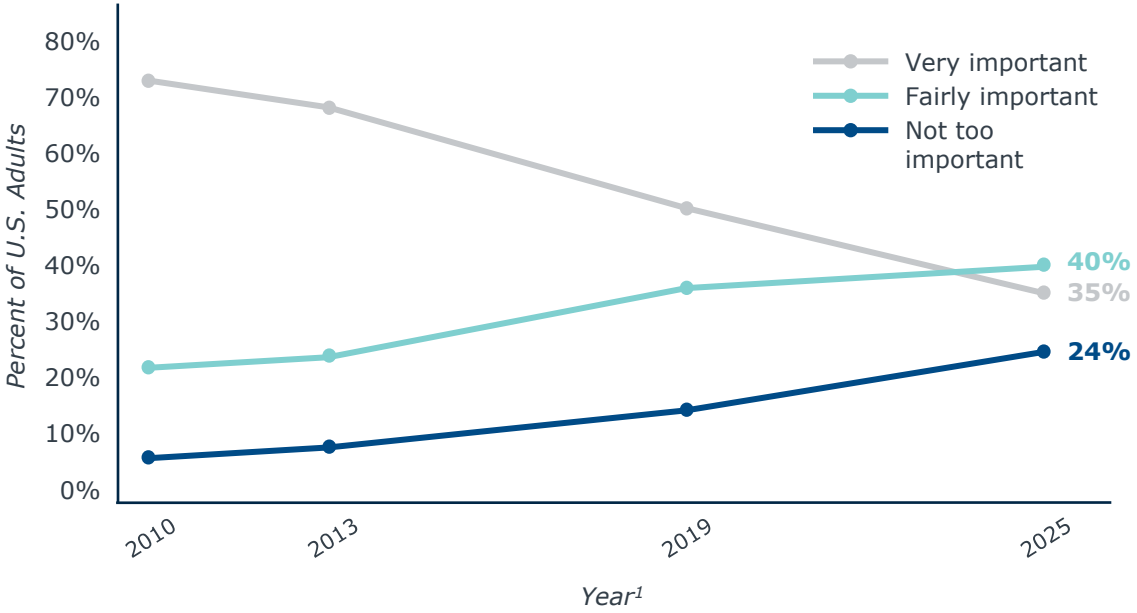


Source: EAB interviews and analysis.

# No Confidence Without Relevance

## 6x More Americans Believe College Is "Not Too Important" Today Versus 2010

*How important is a college education today—very important, fairly important, or not too important?*




1) Gallup survey data is only available for 2010, 2013, 2019, and 2025.



Source: Gallup, Perceived Importance of College Hits New Low; EAB interviews and analysis.

# Higher Ed's Social Contract Is Being Rewritten

## Unresolved Vulnerabilities Have Given Trump Leverage to Change the Rules

| Unresolved Vulnerabilities | Historic Assumptions | Emerging Contract |
|---|---|---|
| *Student Value Gap & Workforce Misalignment* | **Opportunity via public subsidy**: Students financially supported regardless of cost, major, or earnings potential | **Fiscal constraint**: Loan caps, borrowing conditions, cohort default rate accountability, earnings tests |
| *Research Irrelevance & Weak Accountability* | **Research and resource autonomy to serve public good**: Basic research supported as a national priority, institutions have discretion to allocate resources | **Strategic alignment and productivity expectations**: Research funding cuts, faculty productivity review expectations, endowment tax |
| *Cultural Disconnect & Political Bias* | **Institutional autonomy**: Institutions governed freely, set their own values, and stayed above politics | **Conditional governance**: Leadership takedowns, public OCR[1] investigations, pressure to change accreditation requirements |

1) Office for Civil Rights.



Source: EAB interviews and analysis.

# Organizing Around What Others Need From Us



Four Ways Wichita State Supports Regional and National Resilience

### Drive College-Going Pipeline

Facilitates Pre-K12 connections via a physical campus hub and academic unit programs (e.g., robotics challenges)

### Reshape the Academic Experience

All tenants help close the classroom-workplace skill gap by providing applied learning placements for students

Wichita State University

### Lead Community-Centric Research

Multiple research hubs and institutes (e.g., NIAR[1]) enable faculty-industry interactions and resource sharing

### Catalyze Economic Development

Current and planned businesses (e.g., Hyatt Place Hotel, YMCA, retail, housing) provide jobs and services

*Selection of Featured Innovation Campus Partners*

Deloitte. · City of Wichita · NetApp · Airbus · BCG · Spirit AeroSystems

1) National Institute for Aviation Research.



Source: Wichita State University, Innovation Campus and Wichita State Connect; EAB interviews and analysis.

# Navigating Upheaval on Four Fronts



## EAB's 2025-2026 State of the Sector

**Sector Headwinds** | **Campus Readiness**

1
**External Accountability**



*Adapting to Tenuous Public Support and Heightened Political Scrutiny*

2
**Financial Sustainability**

*Confronting Business Model Strain Amid Dual Revenue and Cost Shocks*

3
**Market Relevance**



*Preparing Students for an AI-Transformed Knowledge Economy with Fewer Jobs*

4
**Institutional Agility**



*Driving Campus Change to Unlock Opportunity in a Disrupted Sector*

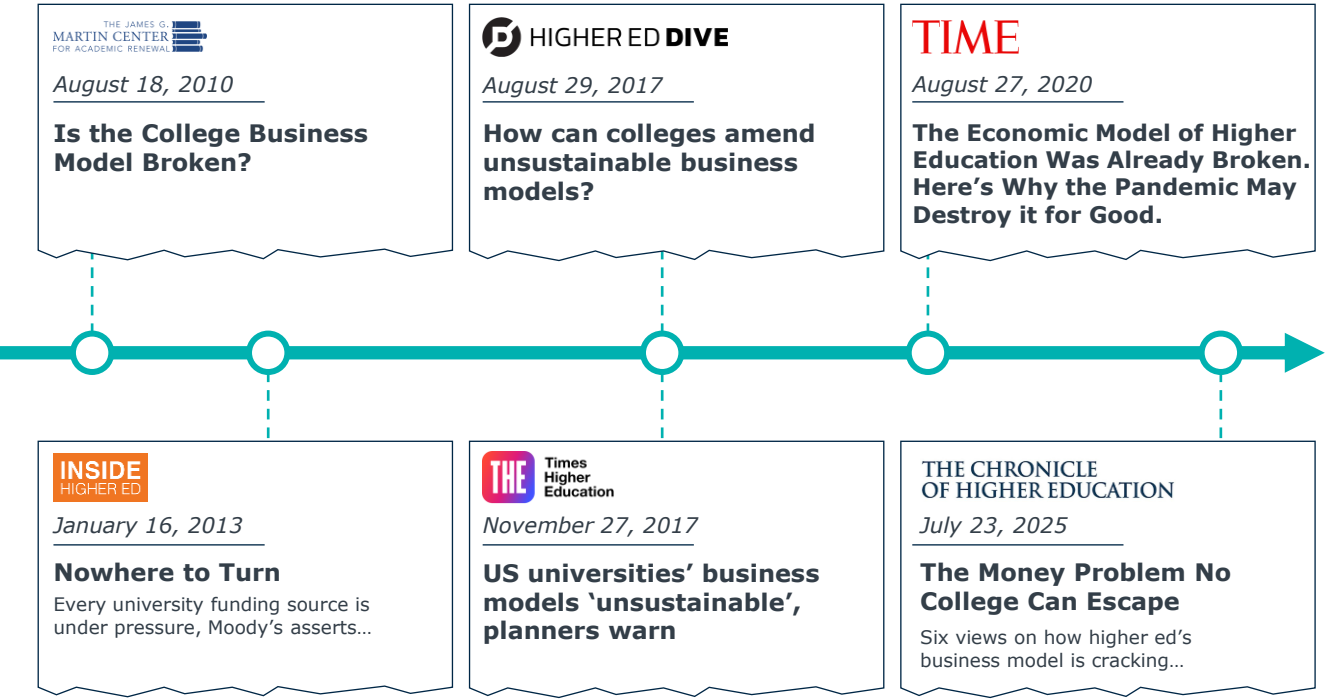


Source: EAB interviews and analysis.

# Not the First Time We've Heard This Story



## Higher Ed's "Broken Business Model" a Throughline Over Last Two Decades




Source: Higher Ed Dive, Unsustainable Business Models; Inside Higher Ed, Nowhere to Turn; The Chronicle of Higher Education, Money Problem; The James G. Martin Center for Academic Renewal, Is the College Business Model Broken?; Time, Economic Model of Higher Ed; Times Higher Education, Business Models Unsustainable; EAB interviews and analysis.

# Synchronized Compression Hits Higher Ed Budgets



## Institutional Expenses

| Source | Outlook | Pressures |
|---|---|---|
| Instruction |  | *Salary growth outpacing revenue; static workload and delivery models* |
| Academic & student support |  | *High labor costs; growing demand for high-touch support* |
| Institutional support |  | *Escalating compliance, legal, technology costs* |
| Research & public service |  | *High-cost infrastructure; new compliance mandates, federal cuts* |
| Auxiliaries |  | *Capital renewal and deferred maintenance burdens* |
| Financial aid |  | *Rising aid demand amid discounting wars; waning federal support* |

## Institutional Revenue

| Source | Outlook | Pressures |
|---|---|---|
| Tuition & fees |  | *Demographic decline; global volatility; ROI skepticism* |
| Government funding |  | *Federal policy pressures (especially research), weakened state budgets* |
| Auxiliaries |  | *Margins compressed by inflation; uneven across units* |
| Private gifts |  | *Major donors holding steady; political scrutiny and fatigue looming* |
| Investment returns |  | *Endowment taxes; inflation; market volatility reducing real value* |
| Private grants & contracts |  | *Dependent on federal flows; shifting priorities post-election* |

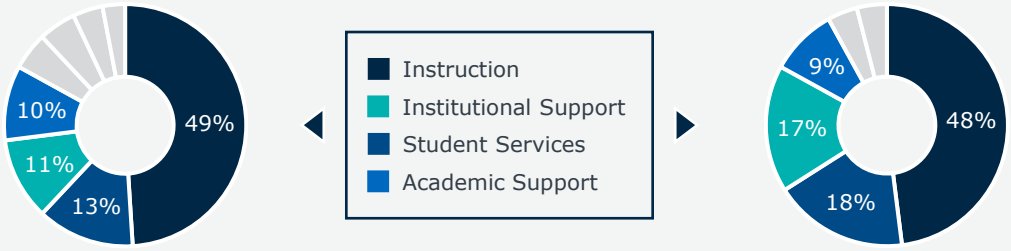


Source: EAB interviews and analysis.

# Cost Rigidity Sets Higher Ed's Real Budget Ceiling

## 56% of All Expenses Are Labor, With Half Dedicated to Instruction

*Breakdown of Total Salary Expenditures by Category*[1]




*Public Institutions* *Private Institutions*

## Shifts in Cost Management Mark a New Era of Cost Discipline

### *Prestige No Longer a Shield*

"Stanford Lays Off 363 Employees"

"Duke Doubles Down on Cost-Cutting"

### *Academic Labor Fair Game*

"WVU Board Approves Dramatic Academic Cuts to Address $45M Deficit"

"William Paterson Plans to Lay Off 100 Full-Time Professors"

### *Legislating Labor Productivity*

"Florida university system approves new tenure policy, spurning faculty critics"

"4/4 Teaching Load Becomes Law at Most of Wisconsin's Public Universities"

1) Other expenditures in public graph: Research (5%), Auxiliary Enterprises (5%), Public Service (4%), and All Other Categories (3%). Other expenditures in private graph: Auxiliary Enterprises (4%) and All Other Categories (4%).

Source: Higher Ed Dive, Florida University System Approves New Tenure Policy, Stanford University Lays Off 363 Employees, and WVU Board Approves Dramatic Academic Cuts; Inside Higher Ed, William Paterson Plan To Lay Off 100 Full-Time Professors; The Chronicle, Duke Doubles Down; The Chronicle of Higher Education, 4/4 Teaching Load; EAB interviews and analysis.

# Cross-Subsidization a Double-Edged Sword



**Higher Ed Has Long Depended on Certain Revenue Streams…**

Full-pay and intl students

Master's programs

Lower-division courses

**…to Underwrite More Resource-Intensive Parts of the Enterprise**

Research Enterprise

Athletics Portfolio

Upper-division seminars

## Strategic Opportunities

**Portfolio buffer**
Smooth volatility across units to enable long-term bets despite short-term swings

**Scale catalyst**
Channel surplus from strong performers to expand reach and brand impact

**Access engine**
Reallocate margin to broaden affordability and inclusion for more students

**Innovation runway**
Provide space for new ideas and programs to develop before self-sustaining

## Potential Risks

**Legacy default**
Concentrate dollars in outdated priorities based on past precedent

**Tradeoff blindness**
Mask real resource choices, crowding out intentional decision-making

**Performance cover-up**
Obscure underperformance and disincentivize improvement

**Shock multiplier**
Spread a single shock across entire campus through hidden linkages



Source: EAB interviews and analysis.

# Higher Ed: The Balance Wheel of State Budgets



## Recent State Funding Trends

Appropriation gains bolstered by stimulus

More strings attached to state investments

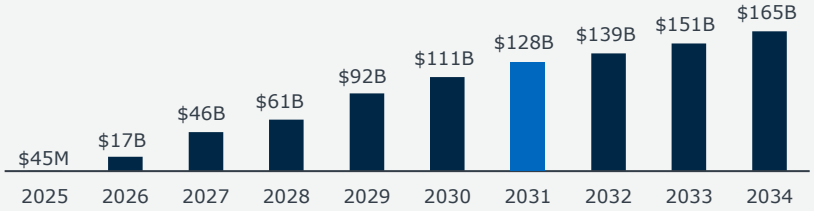
Funding formulas tilting from headcount to outcomes and wages

New dollars flowing to students and select sectors, not operations

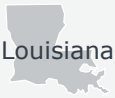
## Combination of Medicaid Reductions and Shifted SNAP Responsibility Onto States Will Cut Into State HE Budgets

*Federal Medicaid Cuts in the Enacted Reconciliation Package*

**$124B** Total FY24 state govt HE funding, which Medicaid cuts will exceed by 2031




*SNAP Cost Share Estimate (as a Percentage of Higher Ed Funding)*




5.69%


8.81%


28.31%

Source: KFF, Allocating CBO's Estimate of Federal Medicaid Spending Reductions Across the States; SHEEO, State Higher Education Finance FY 2024; TICAS, SNAP Cuts Set to Endanger Basic Needs and State Higher Education Budgets; EAB interviews and analysis.

# Addressing a Program Proliferation Problem

## University of Lynchburg Takes Bold Steps to Better Position Itself for the Future

**70%**
Of undergrads are studying in **eight** majors

**95%**
Of undergrads are studying in **21** majors

**5%**
Of undergrads are studying in **30** majors

> “Other schools are cutting programs, and for the sake of our future, we must too. But we are going a step further. For the sake of our people—our students, faculty, and staff—we are **restructuring the entire university** around them.”
>
> *Alison Morrison-Shetlar*
> *President*

| | |
|---|---|
| 25 | Minors eliminated |
| 12 | Undergraduate programs eliminated |
| 5 | Graduate programs eliminated |
| 40 | Faculty positions eliminated (over 3-year period) |
| 40 | Staff positions eliminated |
| 4 | Vice president positions eliminated |

Source: Higher Ed Dive, University of Lynchburg to cut programs, staff and faculty positions; University of Lynchburg, Bold Steps; EAB interviews and analysis.

# What Thriving Schools Will Do

### Hardwire Portfolio Discipline

Make pruning and reinvestment the norm, reallocating resources to high-demand, high-completion programs

### Cap Space Growth

Impose net-zero space policies or pivot to alternative delivery models to reduce dependency on facilities

### Manage Cost Per Graduate

Measure efficiency by total spend per completer, linking cost management to retention and outcomes

### Borrow (Don't Build) Scale

Default to shared services, consortia, and outsourced functions rather than duplicating infrastructure

### Invest in Productivity

Use process improvement and digital tools to bolster faculty and staff capacity and service quality

### Engineer Cost Flexibility

Replaced fixed costs with variable ones (e.g., time-bound contracts) so budgets flex with shocks

To see EAB's latest research on cost containment, download **Cost Containment Playbook: 130+ Tactics for Immediate Cost Savings in Higher Education**

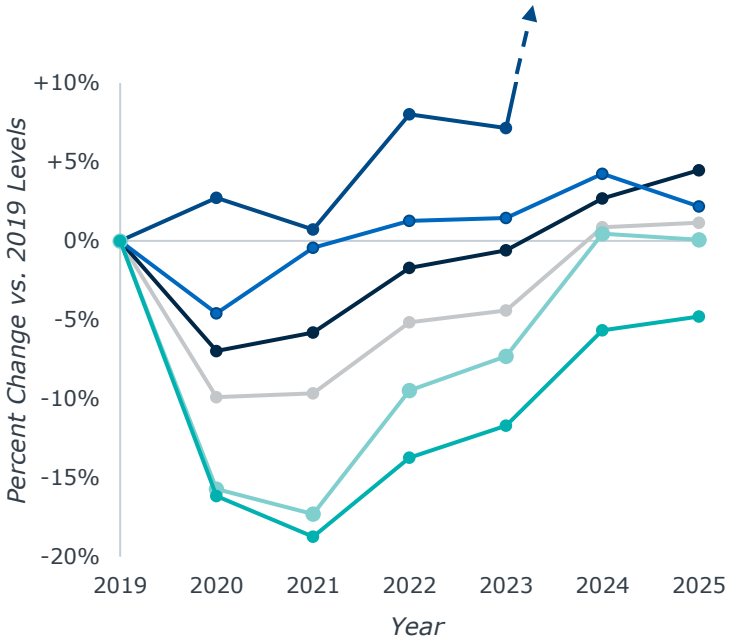


Source: EAB interviews and analysis.

# We're (Almost) Back to 2019 Enrollment Levels



**Percentage Change in First-Time Undergraduate Enrollment Levels[1] Compared to Fall 2019 Levels**




**Percent and Total Change by Segment, Fall 2019-Fall 2025**

- Private For-Profit 4-Year: +11% +5K
- Private Non-Profit 4-Year: +2.2% +10K
- Public 4-Year: +4.5% +42K
- All Institutions: +1.2% +28K
- Public PAB[2]: +0.1% <1K
- Public 2-Year: -4.8% -40K

1) Includes all full-time and part-time undergraduate enrollments.
2) Primarily Associate's Granting Baccalaureate Institutions.



Source: EAB analysis of NSC Current Term Enrollment data.

# Lurking Beneath the Surface

## Positive Enrollment Headlines Obscure Underlying Structural Challenges

### K-12 Pipeline

**Demographic cliff** will hit in 2026, increasing competition for fewer high school grads

**NAEP scores** continue to decline, meaning fewer high schoolers are academically prepared for college

### Non-Consumption

High school grad rates rose 3.3% since 2012, but **college-going fell** by 8.6%

Men are opting out of higher ed at higher rates than women, exacerbating the **gender divide**

### Tuition Discounting


NTR growth has not kept pace with **discount rates**, hindering margins

The market of **"full pay" students** is tiny, and students and families are increasingly less *willing* to pay

### Federal Policy

Federal **loan caps** will reduce ability to pay, especially for high-cost schools and programs

**International losses** lead top-of-market schools to expand domestically, disrupting regionals' pipelines

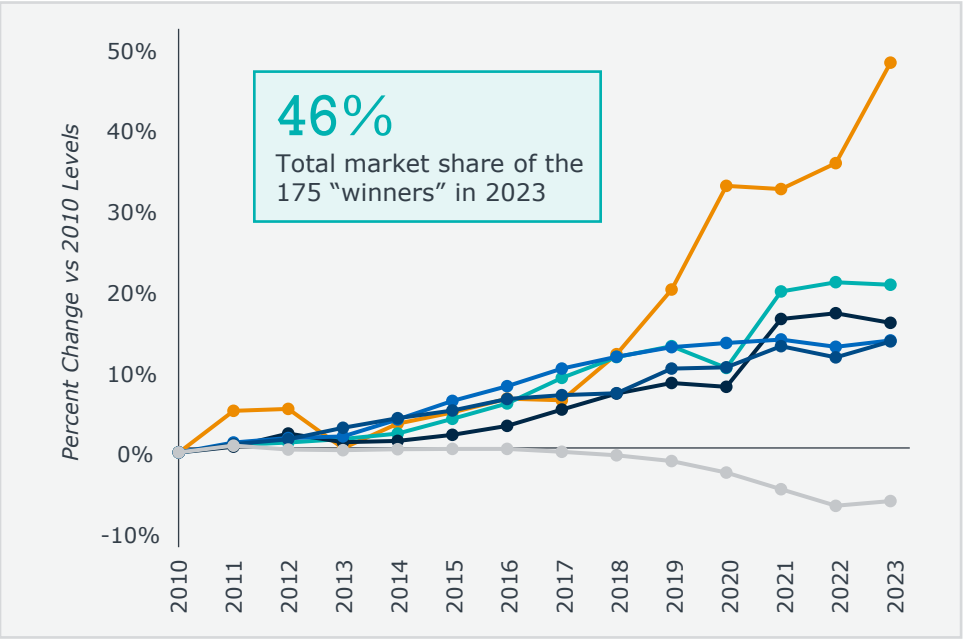


Source: EAB interviews and analysis.

# Who Is Winning in This Market?

## Growth in Total Enrollment Highly Concentrated in Five Groups of "Winners"

*Percent Change in Total Enrollment (Undergrad and Grad), IPEDS, 2010-2023*




**Online Giants[1]** *N=29*

**Ivy Plus[2]** *N=14*

**Large Selective Privates[3]** *N=18*

**Large Urban Publics[4]** *N=60*

**State Flagships[5]** *N=54*

**All Other 4-Year Institutions** *N=2,117*

1) >10,000 UG and G, >75% online.
2) Ivy League institutions plus Johns Hopkins University, Stanford University, University of Chicago, Duke University, MIT, and CalTech.
3) >8,500 UG and G, <25% selectivity.
4) >20,000 UG and G, <75% online, in a city.
5) Includes dual flagships in Texas, California, Virginia, and New York.



Source: EAB analysis of IPEDS data.

# International Fallout Will Create Food Chain Effects



## NAFSA[1] Projections for Fall 2025

**30-40%** Decline in new international students

**15%** Decline in total international students

## Private Elites and Flagships Have the Most Exposure…

*International students account for **6%** of total student population in 2023, but:*

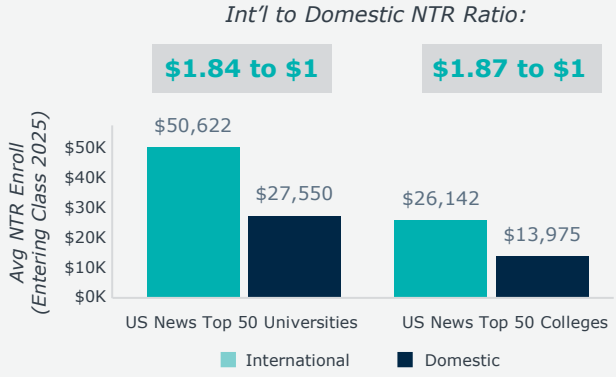
**27%** Of total students at Ivy+ schools

**15%** Of total students at large privates

**9%** Of total students at state flagships

## …And Their Efforts to Offset Losses Will Trigger Trickle Down Effects

*Replacing lost NTR would require nearly **2** domestic enrolls for every lost international enroll*




1) Association of International Educators.



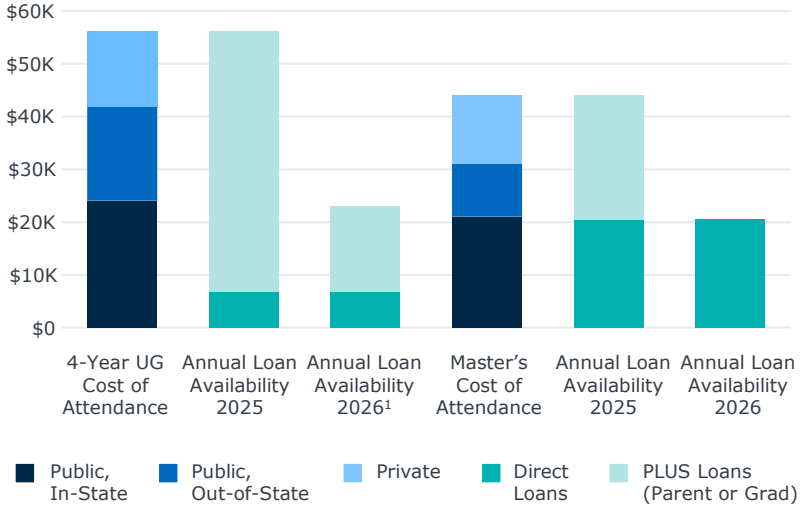
Source: EAB analysis of IPEDS data; Institute of International Education, Open Doors 2024 International Enrollment Trends; NAFSA, U.S. Economy Could Suffer a Loss of $7 Billion and 60,000 Jobs; EAB interviews and analysis.

# Loan Changes Ringing Alarm Bells for Privates

## But Repayment Changes Likely to Deter Borrowers Across the Board

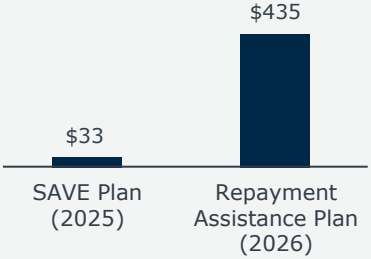
### New Loan Caps Will Limit Access to More Expensive Schools and Programs (i.e., Out-of-State and Private)

*Annual Loan Availability for Undergraduate and Master's Degree Programs vs Average Cost of Attendance in 2024*




### Direct Loan Payments Will Increase for Most Borrowers

*Monthly Repayment for a Median U.S. Household, SAVE Plan vs Repayment Assistance Plan*




**5.4M** Student loan borrowers 90+ days delinquent

**1K+** Schools at risk of losing loan access due to CDR[2]

1) Assumes that borrowers spread the $65K maximum Parent PLUS loan evenly over 4 years.
2) Cohort default rates exceeding 30% for 2 out of 3 consecutive years.

Source: AEI, Over 1,000 colleges could lose access to federal student aid; Education Data Initiative, Average cost of college & tuition; Protect Borrowers, Deep Dive: The OBBBA Law Makes Paying for College More Expensive and Risky; TransUnion, Federal Student Loan Borrowers Indicate They Could Prioritize Their Student Loans; EAB interviews and analysis.

# What Thriving Schools Will Do

### Maximize Margins

Double down on high-return programs while tightly governing costs and cross-subsidies

### Play Offense Down Market

Adopt the playbook of lower tiers (e.g., applied and lower-cost, programs) to gain share

### Design for Overlooked Markets

Supplement your offerings with programs for underserved niches you're uniquely positioned to serve

### Win on Flexibility, Speed, Price

Compete on modular pathways, faster timelines, and early and transparent net pricing

### Invest in K-12 Pipelines

Enhance brand presence and preparation supports early to build affinity and grow future demand

### Differentiate Your Value Prop

Combine attributes into a distinct package that competitors cannot easily replicate

### Align to Workforce Demand

Design market-aligned programs with embedded work-integrated learning to boost appeal and job outcomes

### Reach Your Retention Ceiling

Focus on targeting student success interventions toward your retainable share of admits



Source: EAB interviews and analysis.

# Balancing Mission/Margin in the Research Enterprise



## Key Policy Observations

- **Grant cancellations** were a small percent of overall NIH and NSF awards but unprecedented
- Trickle-down effects of cuts on the **talent pipeline** and **regional economies** will be just as (if not more) damaging in the long-run
- **F&A caps** would supercharge cross-subsidy challenges, with institutions already self-funding $0.45 per every federal dollar
- **FAIR model** would lessen the financial blow of a proposed 15% F&A cap but wouldn't solve long-term sustainability concerns

## New Realities for Institutions

### Rising Costs of Competition

Institutions must invest more in labs, compliance, and matching funds to chase fewer extramural grants


### Diminishing Institutional ROI

Each grant dollar requires more institutional investment; F&A recovery fails to cover full costs

### Winner-Takes-All Dynamics

Federal funding and prestige now concentrate in a small set of elite R1s, widening gaps and further straining budgets

### Research Market Shakeout

More schools—especially lower R1 and R2—may be forced to exit the traditional research "business"



Source: COGR, Oct 2024 COGR F&A Presentation; EAB interviews and analysis.

# Research Cuts by the Numbers



NIH National Institutes of Health

NSF National Science Foundation

**2100+**
Existing research grants cancelled[1]

**1500+**
Existing research grants cancelled

**2500+**
New grant applications rejected

**$1B**
Reduction in new grant funding awarded

**$6-10B**
Total value of research grants that have been cancelled so far in 2025

## The Trump Administration Proposed Unprecedented Budget Reductions…

**-40%** Proposed budget cut to NIH

**-56%** Proposed budget cut to NSF

**-14%** Proposed budget cut to DoE's Office of Science

## …But Congress Largely Rejected Cuts

**+0.9%** Increase to NIH budget from prior year ($47.2B total for FY26)

**-3.4%** Decrease to NSF budget from prior year ($8.75B total for FY26)

**+2%** Increase to DoE Office of Science budget from prior year ($8.4B total for FY26)

1) ~3.5% of NIH's total annual grants.

Source: AAAS, FY 2026 R&D Appropriations Dashboard; AAU, Congress Wraps Up FY26 Science and Education Funding Bills; Grant Witness, NIH and NSF; Nature, NIH grant rejections; The New York Times, Trump has cut science funding to its lowest level in decades; Urban Institute, NSF Cancellations; EAB interviews and analysis.

# Deeper Damage Comes After the Cuts



## Trickle-Down Effects Just as—If Not More—Harmful in the Long-Term

| | Faculty Exodus | PhD Pipeline | Regional Fallout |
|---|---|---|---|
| **Near-Term Risks** | • Loss of some faculty to international competitors and domestic competitors doubling down amid cuts<br>• Departures reduce lab and research continuity | • Downsized cohorts, with some fields collapsing outside select elite schools<br>• Destabilized teaching and lab staffing that hinges on doctoral students | • **$11B** in economic and **49K** in job losses due to federal health research cuts<br>• Projected loss of **$47B** and **202K** jobs in FY26 due to federal health research cuts |
| **Long-Term Risks** | • Loss of competitiveness in fast-moving fields as new competitors emerge<br>• Weakened productivity, talent pipeline, and global reputation | • Collapse of academic career ladder<br>• Labor force disruptions and rising personnel costs due to limited capacity<br>• Talent shortages at R&D firms and national labs | • **$17B** economic and **72K** job losses annually<br>• Sustained contraction of regional job markets<br>• Declining healthcare access/quality, weaker innovation ecosystem |

Source: Science & Community Impacts Mapping Project (SCIMaP), Impact of Federal Health Research Cuts and FY26 Projections; EAB interviews and analysis.

# Research Isn't a Money-Making Business



## Self-Funding Model Was Precarious Even Before the Trump Administration

**$6.8B** University R&D contribution in 2023 that was unreimbursed F&A costs

**$0.45** Cents per every federal research dollar that institutions contribute

## Proposed F&A Caps Could Supercharge Institution's Cross-Subsidy Challenge

**$181M** Loss per year at University of Michigan under NIH 15% cap

**$55M** Loss per year at Virginia Tech under 15% cap across agencies

## Could the Proposed FAIR Model Rescue University Research Budgets?

*Key Model Components*

Replaces traditional negotiated framework with explicit, trackable **cost categories tied to actual projects** and institutional needs

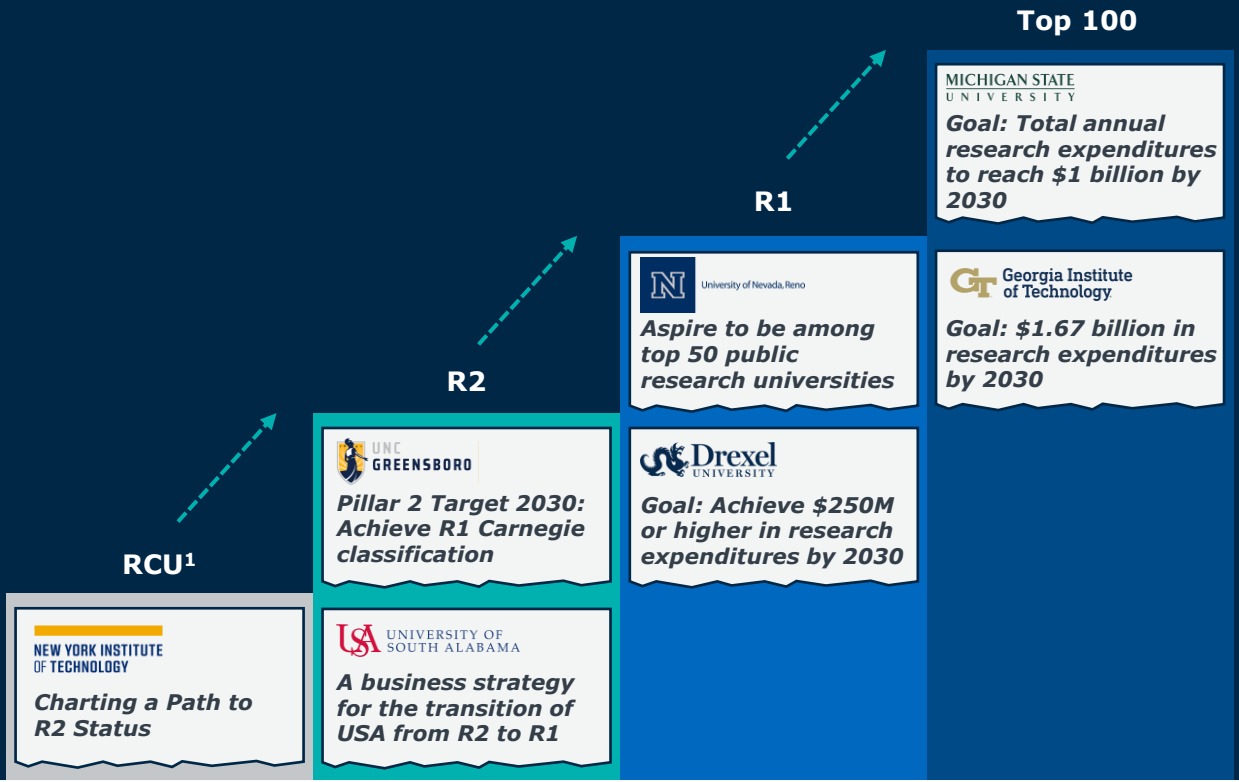
Offers a choice of **two accounting options**: base (simpler, uniform %) or expanded (granular reporting by project)

*Implications*

- Would **lessen the blow** but not fix long-term financial sustainability concerns
- Ability to improve F&A recovery would **hinge more on accounting** capabilities
- Could increase **internal politics** and **budget volatility** due to project-level reimbursement

Source: AAU, F&A FAQs; COGR, Oct 2024 COGR F&A Presentation; HERD, FY23; University of Michigan, Presidential Statement; Virginia Tech, Presidential Statement; EAB interviews and analysis.

# The Familiar 'Carnegie Climb'




1) Research Colleges & Universities; spend at least $2.5 million on research & development.

Source: Drexel University, Research Impact; Georgia Institute of Technology, Georgia Tech's Big Bets Delivering Record Results; Michigan State University, Strategic Plan 2030 Research Implementation; NYIT, Charting a Path to R2 Status; UNCG, Strategic Plan; University of South Alabama, A business strategy; UNR, Research & Innovation; EAB interviews and analysis.

# Could We See a 'Carnegie Descent'?

Rising research costs, declining federal support, and weakening internal cross-subsidies may **force some institutions to exit** the traditional research "business"

## Top 100

*Opportunities:*

- Grow market share as others divest or are unable to sustain
- Scale up research aligned with national priorities (e.g., AI)

*Challenges:*

- Costs more and more just to stay in place
- Political exposure
- Growth ceilings as dollars dry up

## R1

*Opportunities:*

- Scale industry collaborations
- Tap interdisciplinary adjacencies

*Challenges:*

- Market concentration and stalled growth
- Never-ending infrastructure costs
- Weakening of underlying subsidies

## R2

*Opportunities:*

- Niche federal footholds
- Donor momentum

*Challenges:*

- Core NSF/NIH funding skews R1
- Brain-drain pressure

## RCU[1]

*Opportunities:*

- Regional innovation

*Challenges:*

- Compliance costs

1) Research Colleges & Universities; spend at least $2.5 million on research & development.



Source: EAB interviews and analysis.

# What Thriving Schools Will Do

### Focus on Bets, Not Breadth

Concentrate on a few research clusters that are proven strengths aligned with external opportunities

### Rightsize PhD Programs

Realign with demand and funding supply, shifting excess capacity to professional/instructional tracks

### Purposely Limit Submissions

Direct effort and limited resources to fewer, well-aligned proposals where win odds are highest

### Reward Impact, Not Volume

Shift faculty incentives away from publications/citations toward public value and real-world outcomes

### Deepen Regional Impact

Expand applied and community-centric research that addresses local workforce and societal needs

### Become a Preferred Partner

Collaborate with peers who are better-resourced or possess adjacent strengths and valuable infrastructure



Source: EAB interviews and analysis.

# Navigating Upheaval on Four Fronts



## EAB's 2025-2026 State of the Sector

**Sector Headwinds** | **Campus Readiness**

1
**External Accountability**



*Adapting to Tenuous Public Support and Heightened Political Scrutiny*

2
**Financial Sustainability**



*Confronting Business Model Strain Amid Dual Revenue and Cost Shocks*

3
**Market Relevance**

*Preparing Students for an AI-Transformed Knowledge Economy with Fewer Jobs*

4
**Institutional Agility**



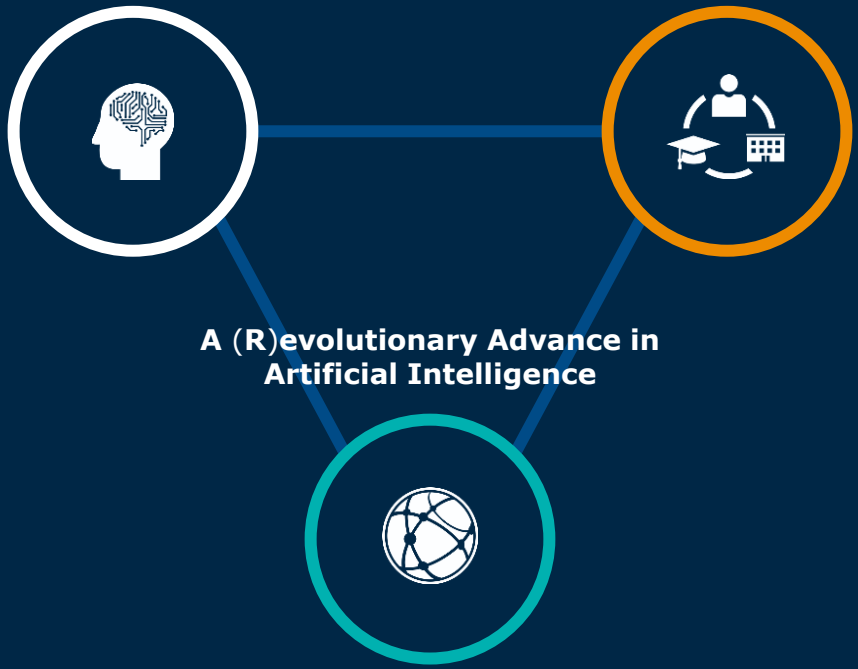
*Driving Campus Change to Unlock Opportunity in a Disrupted Sector*



Source: EAB interviews and analysis.

**A Generation Shaped by Socially Disruptive Technology**

**A Contracting Labor Market for New Grads**



**A (R)evolutionary Advance in Artificial Intelligence**

**Gen Z:**

Born 1997-2012
(13-29 years old in 2026)

## Key Observations

- Delayed markers of adulthood
- Social isolation, particularly among young men
- Declining extroversion and conscientiousness
- Growing political polarization, which social media exacerbates
- Increased reliance on parasocial substitutes (i.e. AI companions)
- Economic pessimism driven by rising costs of living
- A silver lining—positive early results from K12 phone bans

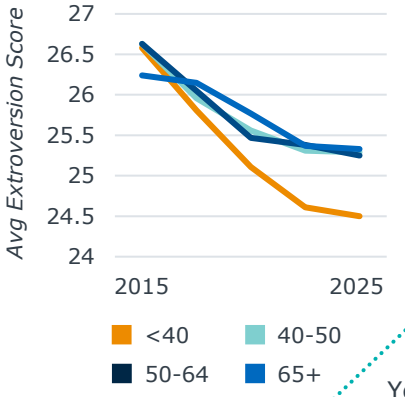


Source: EAB interviews and analysis.

# Three Forces Locking Gen Z Into Weaker Social Ties

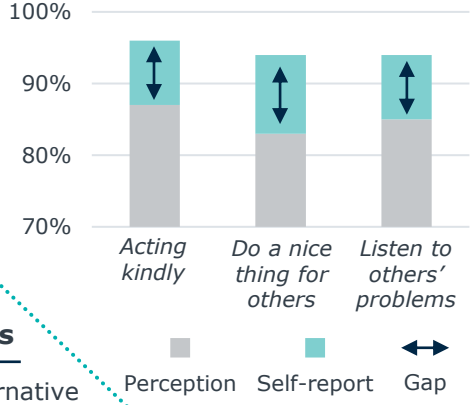
## Lower Baseline

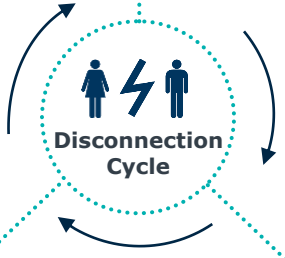
Young people's lower extroversion makes initiating social ties harder[1]




## Perception Spiral

Gen Z underestimates how much peers want to connect, reinforcing isolation[2]




## Parasocial Substitutes

Young people use AI as an alternative to fill void in human relationships

**52%** *of teens have used AI companions at least a few times a month*

**33%** *of teens choose AI companions over humans for serious conversations*

1) Data from Understanding America Study.
2) Based on study of 5,000+ Stanford University students

Source: Common Sense Media, How and Why Teens Use AI Companions; Pei, R., & Zaki, J., How Social Connections Improve the Happiness of Young Adults; USC, Understanding America Study; EAB interviews and analysis.

# “I’m Sorry, What? I Was Distracted.”



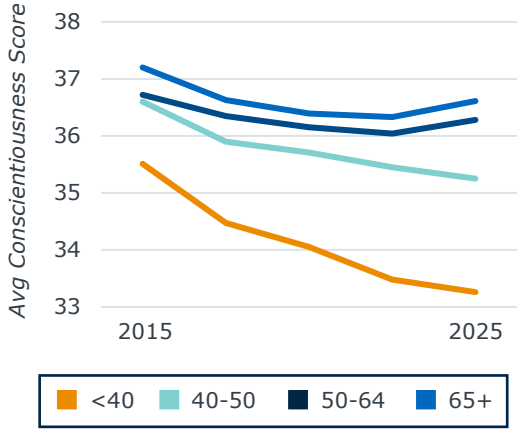
## Everyone’s Attention Span Is Shrinking…

**69%** Decline in the average amount of seconds spent focusing on one screen before switching to a different screen (2003-2021)

## …Particularly Young People’s

**48%** Of Gen Z report their attention span for work is shorter this year than the previous year, compared to 33% of all workers

### Young People’s Conscientiousness, Based on Big 5 Personality Test[1]




**Sample Conscientiousness Items**

- ✔ *Perseveres until the task is finished*
- ✔ *Does things efficiently*
- ✖ *Tends to be disorganized*
- ✖ *Can be somewhat careless*

“For most of my career, I assigned around 30 pages of reading per class meeting… Now **students are intimidated by anything over 10 pages** and seem to walk away from readings of as little as 20 pages with no real understanding.”

*- Adam Kotsko, North Central College*

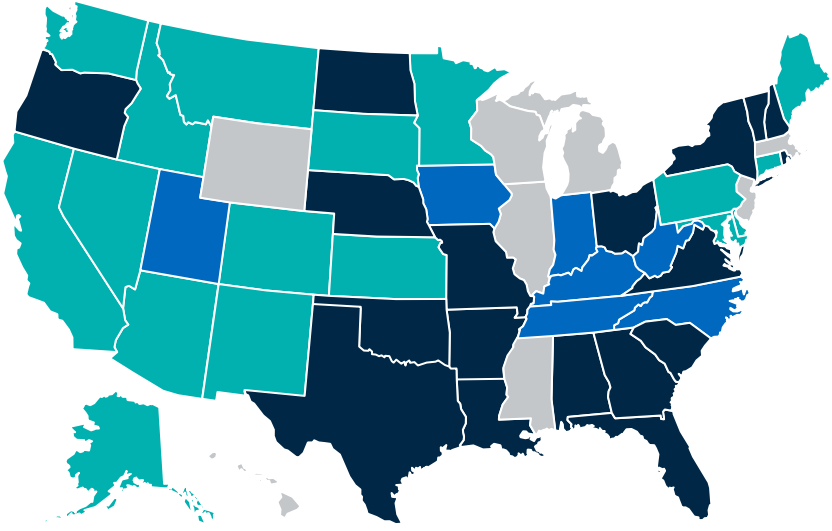
1) Data from Understanding America Study.

Sources: Asana, Anatomy of the Work Global Index 2022; Wall Street Journal, How To Restore Our Dwindling Attention Spans; Kotsko, A., The Loss of Things I Took for Granted EAB interviews and analysis.

# K-12 Phone Restrictions Spreading to Positive Effect



## 35 States Have Laws or Rules Limiting Phones in School, 2025




### Early Outcomes

*Increases in:*

- Classroom engagement and focus
- Grades and test scores
- School event attendance and student interactions

*Decreases in:*

- Fights amongst students
- Disciplinary referrals
- Instances of cheating

Source: AP News, Students Face New Cellphone Restrictions; Auburn University, Cell Phone Bans Could Improve Overall School Environment; Bloomberg, NY Students Banned From Using Phones; EdWeek, Which States Ban or Restrict Cellphones in Schools?; EAB interviews and analysis.

# What Thriving Schools Will Do

### Engineer Social Nudges

Show students that their peers want to connect in-person, using small nudges to spark and normalize connections

### Provide Digital-Free Zones

Create no-screen campus spaces for students to recharge and interact without distractions

### Cut Through the Noise

Replace fragmented outreach with fewer, shorter messages that focus attention and guide action

### Develop Deep Focus Capacity

Use short-form media as a hook, then rebuild attention span through sustained, reflective learning exercises

### Teach Information Literacy

Train students to spot misinformation and verify sources as part of their first-year experience

### Cultivate Civil Discourse

Build structured, peer-led dialogue programs that teach respectful debate and strengthen civic reasoning



Source: EAB interviews and analysis.

# 2. A Contracting Labor Market for New Grads

## Gen Z Meets the Labor Market

### Key Observations

- The college wage premium remains at a near all-time high
- Unemployment rates for recent grads now look similar to those of non-college workers
- College grads make up a growing share of long-term (6+ months) unemployed workers
- More than half of college grads start their career underemployed[1]—and 73% remain so 10 years later
- Economic growth continues to climb but job openings are falling
- Early indicators suggest AI is disproportionately impacting entry-level jobs in the knowledge sector

1) In an occupation that does not require a bachelor's degree or for which the majority of workers do not have a bachelor's degree.

Source: Burning Glass Institute, Talent Disrupted; Federal Reserve Bank of New York, Is College Still Worth It?; Hosseini, Seyed M. and Lichtinger, Guy, Generative AI as Seniority-Biased Technological Change; New York Fed, The Labor Market for Recent College Grads; New York Times, The Newest Face of Long-Term Unemployment?; St. Louis Fed, Job Openings and S&P 500; EAB interviews and analysis.

# Gen Z's Financial State of Mind



## Modern Costs of Living and Learning Price Out Gen Z[1]

**84%** Increase in **median home value**, 1990 ($195,103) v. 2023 ($359,816)

**35%** Increase in **median gross rent**, 1990 ($1,103) v. 2023 ($1,487)

**81%** Increase in **average college tuition[2]**, 1990 ($15,309) v. 2023 ($27,673)


## Economic Conditions Create Lag in Wealth Accumulation

**22%** Increase in 18- to 24-year-olds with outstanding **student loans**, 1992 v. 2022

**11%** Growth in **median annual earnings** for 18- to 24-year-olds, 1992 v. 2022

**9%** **Total wealth** held by Gen Z and Millennials as of 2024

## Affordability Crunch Helps Explain Gen Z's…

*Heightened salary requirements for financial success*

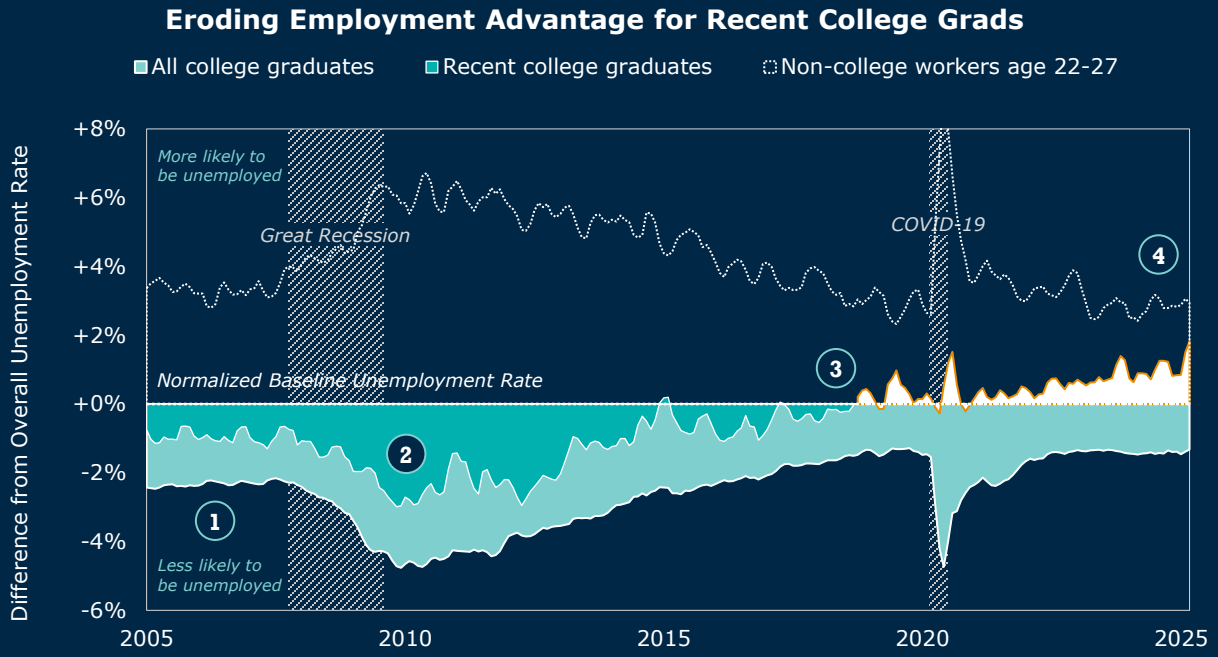
*Increased skepticism about payoff of a college degree*

*Greater pragmatism in selecting applied, high-paying majors*

1) All values inflation-adjusted to constant 2025 dollars using CPI.
2) Includes total tuition, fees, room and board at all institutions for 1989-1990 academic year and 2022-2023 academic year.

Source: NCES, Average Undergraduate Tuition; Pew Research Center, Parents, Young Adult Children and the Transition to Adulthood; SmartAsset, Wealth Distribution in the U.S. by Generation; U.S. Census Bureau, Cost of Rent and Utilities Rose Faster Than Home Values in 2023, Median Gross Rents, and Median Home Value; EAB interviews and analysis.

# College Doesn't Provide the Cushion It Once Did



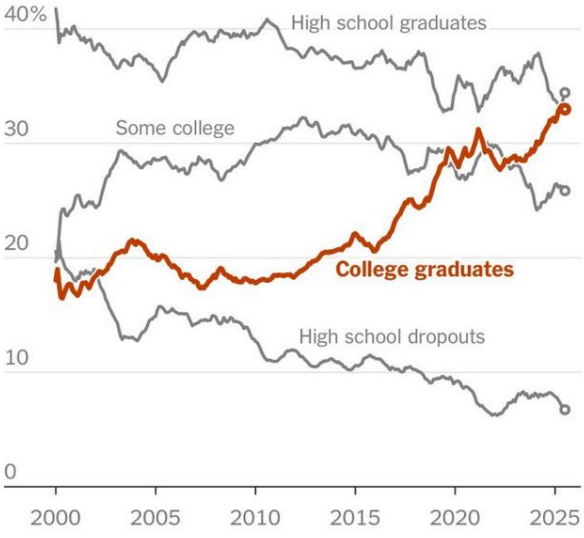

1. *College grads have always had lower unemployment*
2. *Recent grads had a big advantage after the Great Recession*
3. *Unemployment for recent grads crossed baseline in 2018*
4. *Recent grads now look more like young non-college workers*

Source: New York Fed, The Labor Market for Recent College Grads; The Atlantic, Something Alarming is Happening to the Job Market; EAB interviews and analysis.

# Two Additional Trends Causing Concern

## College Grads Make Up a Growing Share of "Long-Term Unemployed"

*Out of work for 6+ months*[1]




## More than Half Start Their Careers Underemployed[2]

*Burning Glass Institute, 2024*

**52%** Of college graduates are underemployed one year post-completion

**73%** Of college graduates who start underemployed remain so 10 years post-completion

**The New York Times**

"There are simply **more college graduates today** than there were 10 years ago, and the **job market for people without college degrees improved**, reducing their share of long-term unemployed.

**But employers also appear to have less need for college-educated workers**, driven by technological change, automation, and… President Trump's cuts to federal workers and funding, which have disproportionately affected the college educated."

1) 12-month rolling average from the Current Population Survey
2) In an occupation that does not require a bachelor's degree or for which the majority of workers do not have a bachelor's degree

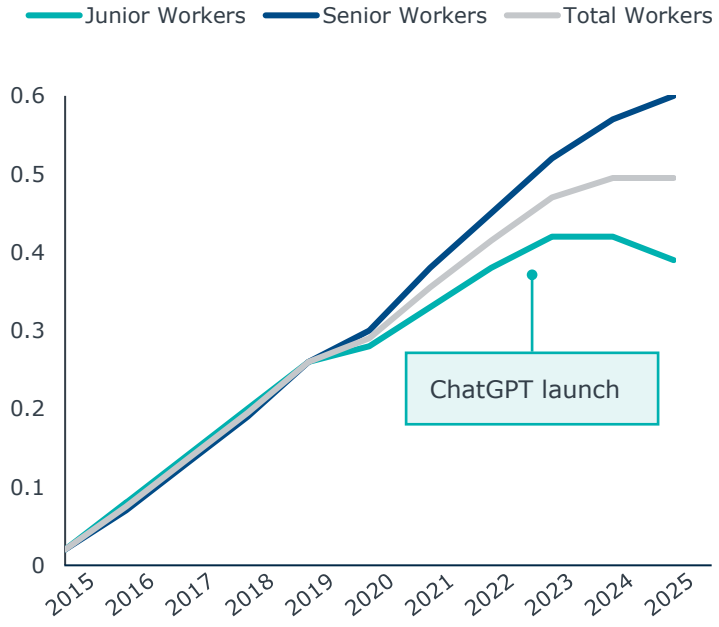
Sources: NYTimes, The Newest Face of Long-Term Unemployment? The College Educated; Burning Glass Institute, Talent Disrupted: College Graduates, Underemployment, and the Way Forward.

# No Time to Wait and See



## AI's Disruption Already Visible at the Entry Level

*Average Number of Total, Junior, and Senior Workers (Normalized to 1 in January 2015) at 285,000 U.S. Firms[1]*




**-7.7%**

Decline in junior headcount across firms that adopted AI (Jan 2023 - Jun 2024)

**-40%**

Decline in junior hires in wholesale and retail trade per quarter at firms that adopted AI (compared to non-adopters)

Junior workers from mid-tier schools face greater AI disruption than those from elites or less selective schools

1) Harvard University researchers' analysis of LinkedIn resumes and job postings data; n=62 million workers across 285,000 U.S. firms.

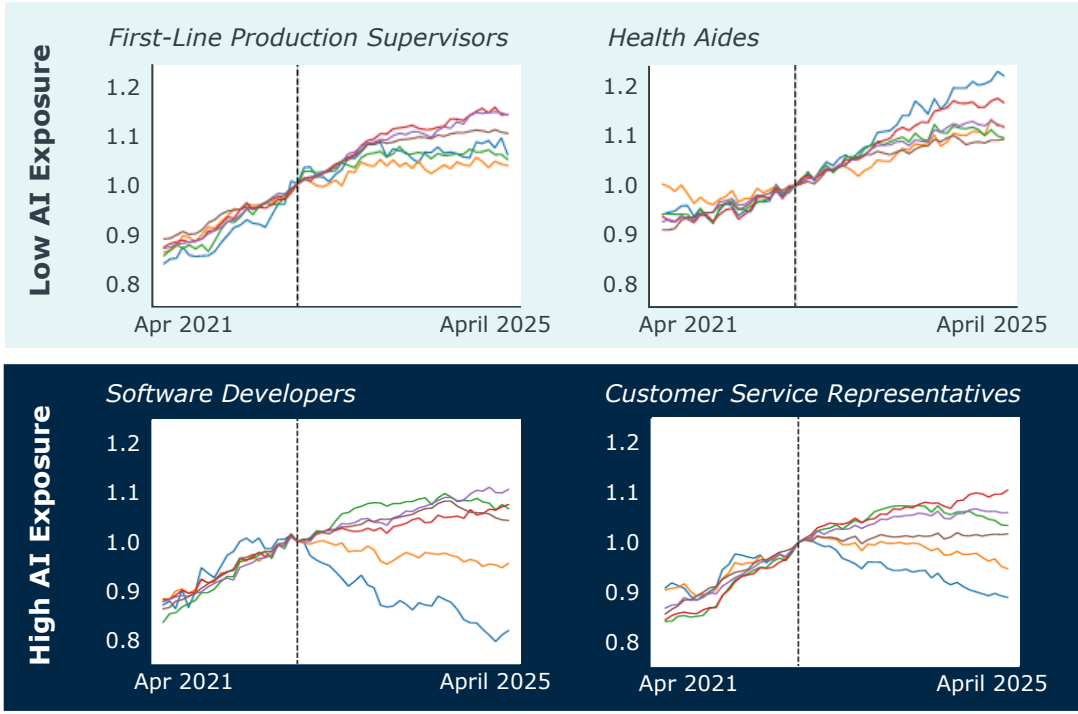
Source: Hosseini, Seyed M. and Lichtinger, Guy, Generative AI as Seniority-Biased Technological Change; EAB interviews and analysis.

# Not All Early Career Workers Equally Impacted



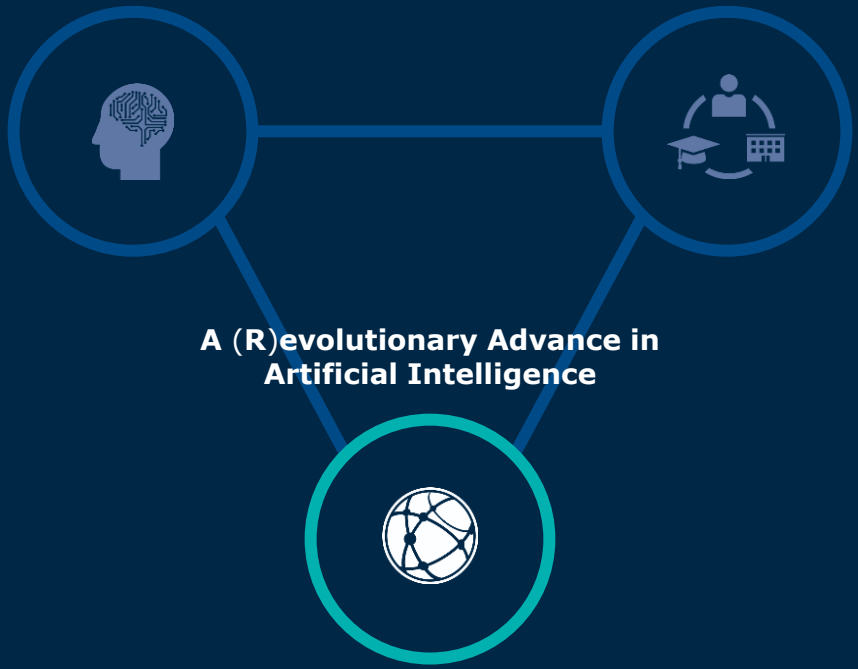
## Declines Concentrated in Occupations With High AI Exposure

- Early Career 1 (22-25)
- Early Career 2 (26-30)
- Developing (31-34)
- Mid-Career 1 (35-40)
- Mid-Career 2 (41-49)
- Senior (50+)






Source: Brynjolfsson et al., Canaries in the Coal Mine? Six Facts about the Recent Employment Effects of Artificial Intelligence; EAB interviews and analysis.



## A (R)evolutionary Advance in Artificial Intelligence

# AI Threatens to Exacerbate Labor Market Mismatch



## Impact is Faster, Broader, and Deeper than Prior Tech Shifts

| | Past Tech Innovations | | Generative AI |
|---|---|---|---|
| Scope of Influence | • Electricity primarily transformed manufacturing and agriculture<br>• Internet and PC reshaped clerical, professional services, and sales |  | • Impacts all industries, with higher exposure in knowledge sectors<br>• Lower-wage and entry-level workers most at risk |
| Nature of Disruption | • Electricity reduced reliance on physical labor<br>• PC/Internet displaced **3.5M** workers, mainly in clerical roles |  | • Directly mimics higher-order cognitive functions<br>• Projected to impact **90%** of jobs by 2032, leading to **12M** job shifts |
| Altitude of Adoption | • Electricity expanded to rural areas through community co-ops<br>• PC/Internet spread via consumer demand before firms adopted |  | • Executive mandates and enterprise policies are driving adoption<br>• Embedded AI in core software reduces need for individual uptake |
| Pace of Adoption | • Electricity reached 50% adoption in **42 years**, PC in **20 years** |  | • Reached 50% adoption in **less than three years** |

1) Gallup survey of employed U.S. Adults in Q2 2025, N=19,043.

Source: Bond, Trends in Artificial Intelligence; Cognizant and Oxford Economics, New Work, New World; Gallup, AI Use at Work Has Nearly Doubled in Two Years; McKinsey & Company, Generative AI and the Future of Work in America and What Can History Teach Us About Technology and Jobs?; EAB interviews and analysis.

# What's AI Good For?



## I'm a Doctor. ChatGPT's Bedside Manner Is Better Than Mine.

A panel of healthcare practitioners rated ChatGPT answers to patient questions as better and more empathetic than doctors in **79%** of cases.

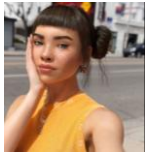
## *She Is in Love With ChatGPT*

A busy 28-year-old woman spent **$200** per month and endless hours talking to her AI boyfriend for advice and consolation. And yes, they do have sex.

**What Happens When AI Becomes a Better "Human" Than Humans?**

## They're Famous. They're Everywhere. They're Fake.

AI influencers like Lil' Miquela and Lu of Magalu have more than **2M** followers. They earn millions of dollars, generating as high as $73K per post.



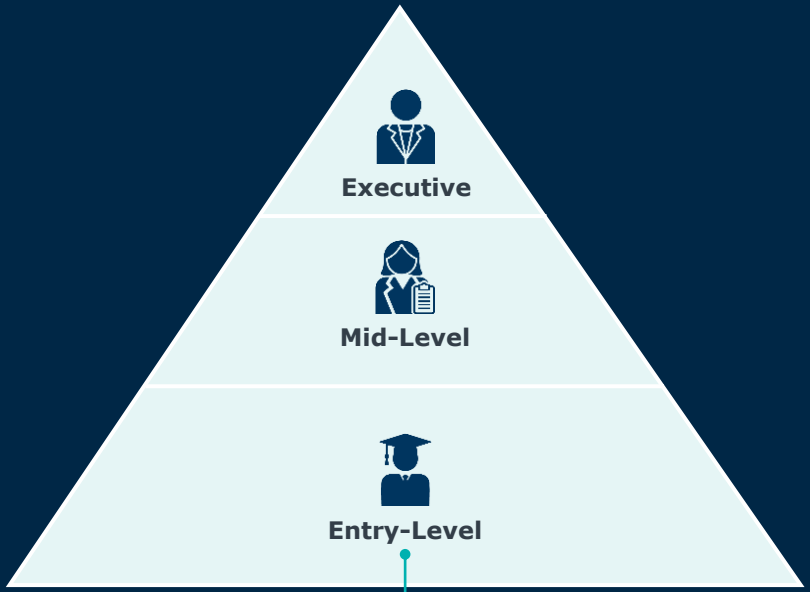
## A '60s-flavored band blew up on Spotify. They're AI.

The AI-generated band, Velvet Sundown, gained more than **1M** monthly listeners in one month. Their most popular song has 2M streams.



Source: NYT, I'm a Doctor. ChatGPT's Bedside Manner is Better Than Mine, She Is in Love With ChatGPT, and They're Famous. They're Everywhere, and They're Fake; Washington Post, a 60s-Flavored Band Blew Up on Spotify. They're AI; EAB interviews and analysis.

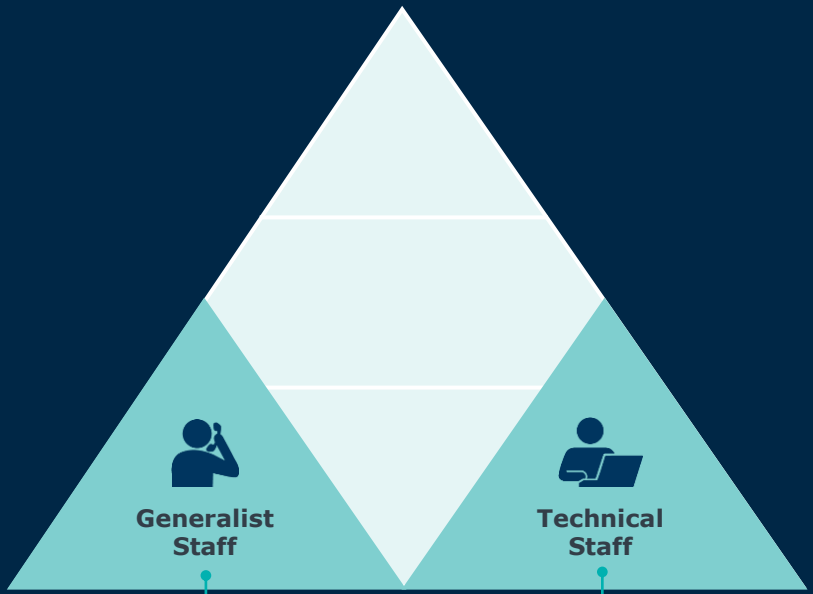
# The Old Career Ladder




- Abundant, accessible starter jobs
- Attainable with minimal professional experience or polish
- Progression assumed—time and loyalty yield advancement
- Employers expect to train and socialize junior hires



Source: EAB interviews and analysis.



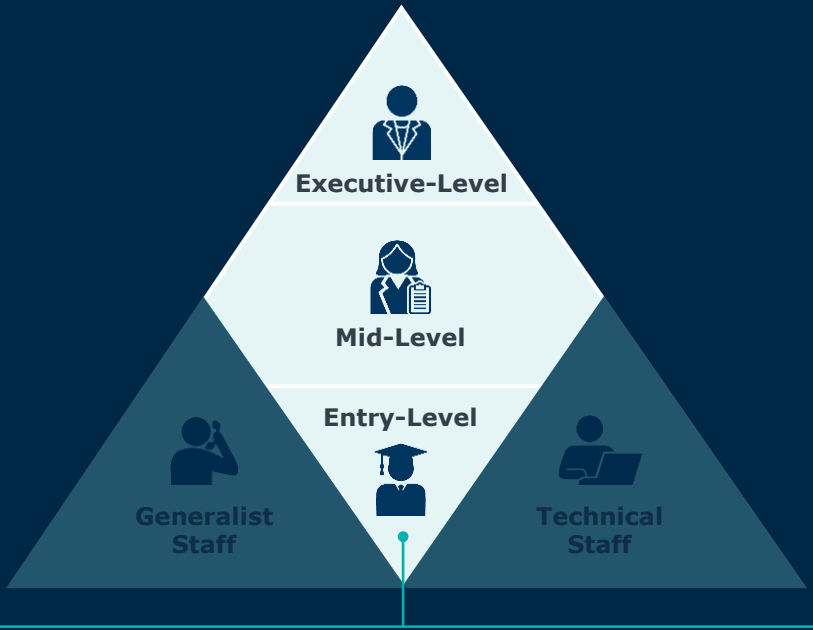

Broad pool of unskilled generalists disappear first as routine, low-complexity work is automated or outsourced

Technical specialists are squeezed out as AI tools replicate or outcompete narrow expertise once seen as entry pathways



Source: EAB interviews and analysis.

# From Pyramid to Diamond



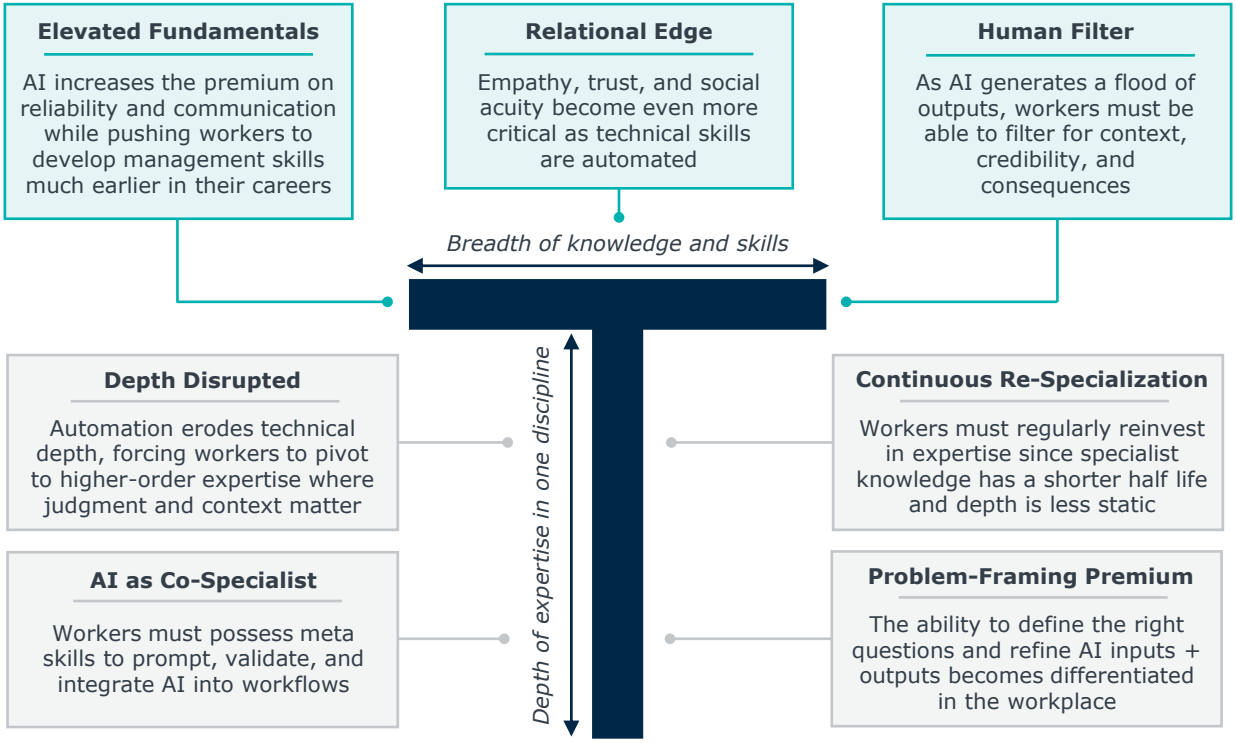

- Entry points are scarce, tightly gated, and reserved for already-skilled candidates
- Employers demand more polished, experienced hires from day one
- First jobs feel less like "learning roles" and more like immediate proving grounds



Source: EAB interviews and analysis.

# The New T-Shaped Professional

## How AI Is Reshaping What Is Required for Workplace Success






Source: EAB interviews and analysis.

# A Return to Relationships



## Students Are Frustrated With Job Postings… And So Are Employers

**61%**
Of Gen Z job seekers submit at least 100 applications

**11K**
Applications per minute on LinkedIn, hundreds of applications per post

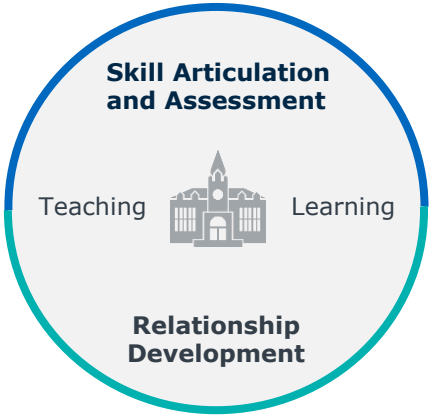
**43%**
Of HR professionals use AI to manage volume of applications

**25%**
Of job applicants worldwide could be fake by 2028

## Networks May Matter More Than Ever

- Referred applicants have a **50%** chance of advancing past resume review (compared to 12% for non-referrals)
- Employers are investing more in referral programs to boost verified candidates
- Recruiters are posting fewer jobs publicly to avoid application overload, fake profiles
- Smaller, local firms may hire junior talent at higher rates moving forward

## Higher Ed's Pivotal Roles




Source: Ashby, Are referred candidates more likely to get hired?; Forbes, Networking: It's Not What You Think; NYT, Employers are Buried in AI-Generated Resumes; RippleMatch, Navigating Next Gen Talent; SHRM, Uncertain Economy Adds to Recruitment Challenges; WSJ, Landing a Job is All About Who You Know (Again); EAB interviews and analysis.

# Faculty as the Fulcrum



## Curriculum Design

- Embed AI fluency into disciplinary content
- Keep syllabi current with evolving tools, industries, and employer needs
- Balance AI/tech fluency with distinctly human differentiators in every course

## Pedagogy

- Mirror workplace ambiguity in projects
- Design activities and assignments where AI is a co-worker
- Incorporate relational intelligence practices in the classroom

## Professional AI Use

- Use AI transparently in teaching prep and grading
- Narrate AI-related judgement and risk management
- Demonstrate professional norms for responsible AI use


## Employer & Career Integration

- Stay current on discipline-specific career pathways
- Build ongoing feedback loops with employers and alumni
- Ensure capstones and assignments include external validation

## Assessment

- Grade the process, not just the final product
- Equip students with verifiable evidence of career readiness
- Assess relational and professional skills with the same weight as technical ability

## Continuous Learning

- Engage in continuous reskilling cycles
- Collaborate with colleagues across disciplines on innovative approaches
- Contribute to institution-wide efforts by sharing AI lessons and failures



Source: EAB interviews and analysis.

# What Thriving Schools Will Do

### Hardwire AI Literacy

Embed AI literacy across every discipline as a graduation requirement, rather than an optional add-on

### Guarantee Work Experiences

Hardwire applied learning into every program and create portfolios that help students articulate acquired skills

### Elevate Relational Intelligence

Make perspective-taking, trust-building, and conflict navigation core learning outcomes, not just soft skills

### Reimagine Career Services

Transition from a coaching center to a talent broker that actively connects students with employers

### (Re)design for a Dual-Edge

Ensure all majors equip students with technical fluency and human differentiation

### Scaffold Network-Building

Incentivize, enable, and track professional networking with the same intentionality as degree progress

### Incentivize Faculty Innovation

Recognize and reward faculty who co-design with employers and integrate AI/technology into instruction

### Enable Lifelong Learning

Rebuild degrees as launchpads with on-/off-ramps that allow students to pause, re-start, and regularly upskill



Source: EAB interviews and analysis.

# Navigating Upheaval on Four Fronts



## EAB's 2025-2026 State of the Sector

**Sector Headwinds** | **Campus Readiness**

1

**External Accountability**



*Adapting to Tenuous Public Support and Heightened Political Scrutiny*

2

**Financial Sustainability**



*Confronting Business Model Strain Amid Dual Revenue and Cost Shocks*

3

**Market Relevance**



*Preparing Students for an AI-Transformed Knowledge Economy with Fewer Jobs*

4

**Institutional Agility**

*Driving Campus Change to Unlock Opportunity in a Disrupted Sector*



Source: EAB interviews and analysis.

# Navigating the Push and Pull

## Financial and Market Pressures Demand Bolder, Faster Changes…

- Budget constraints require new operating models and restructuring
- Top-down pressure from the board forces leaders to respond quickly
- Compliance mandates force quick changes to avoid penalties
- Market rationalization accelerates the need for institutional agility

**Push Towards Transformation**

**Pull Towards Preservation**

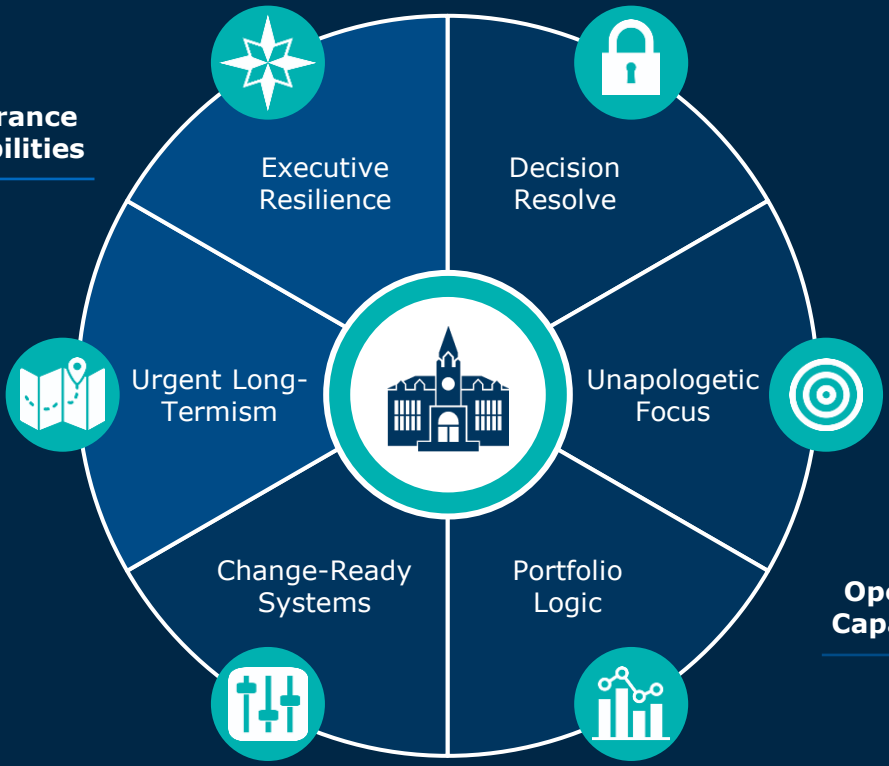
## …At the Same Time That Campus Constituencies Crave More Stability

- Low morale fuels resistance to cost containment efforts
- Change exhaustion leads to cynicism about new initiatives
- Volume of urgent, competing demands overwhelms leaders
- Weak relationships and buy-in make inaction feel safer



Source: EAB interviews and analysis.

# Six Attributes of a Thriving Institution






Source: EAB interviews and analysis.

# Can We Make Smart Decisions Fast Enough?



| Historic Tendencies | New Capabilities |
| --- | --- |
| **Committee Sprawl**<br>Standing committees with broad or overlapping charges muddy responsibility and delay action. | **Clearly Scoped Mandates**<br>Structure committees to tackle narrowly defined questions and deliver decisions or recommendations in a set timeframe. |
| **Unclear Decision Authority**<br>Authority is fragmented across schools, departments, and senates, leading to blurred accountability and stalled decisions. | **Transparent Decision Rules**<br>Publicly assign ownership for final calls so it is clear who is responsible for moving initiatives forward. |
| **Repetitive Deliberation Cycles**<br>Decisions are revisited across multiple forums or semesters, resulting in continuous re-litigation. | **Tripwires for Action**<br>Set clear deadlines for input and predefined thresholds (e.g., market signals) that auto trigger decisions. |
| **Consensus-Seeking Culture**<br>An expectation of near-unanimous agreement on major decisions extends deliberation and weakens outcomes. | **Constructive Conflict**<br>Structure forums to surface opposing views, weigh tradeoffs, and secure explicit group commitment to the decision. |



Source: EAB interviews and analysis.

# Are We Truly Willing To Stop Doing Things?



| Historic Tendencies | New Capabilities |
| --- | --- |
| **Siloed Priorities**<br>Decision-making is uncoordinated across units, preventing decisive prioritization and intentional focus. | **North Star Vision**<br>Define a vision that is compelling enough to rally support but focused enough to discipline decisions. |
| **Expansive Strategic Planning**<br>Lengthy planning cycles drain resources without surfacing and clarifying necessary tradeoffs. | **Tradeoff Discipline**<br>Apply consistent criteria and openly communicate tradeoffs both when launching and sunsetting initiatives. |
| **Prestige Pursuit**<br>Institutions chase status markers that sidetrack mission and divert limited resources. | **Competitive Humility**<br>Strengthen market position by doubling down on differentiators, not chasing peers or competing everywhere. |
| **More With Less Mentality**<br>Institutions constantly add new programs, committees, and initiatives without ever taking anything off the plate. | **Less With Less Mentality**<br>Leaders intentionally stop low-value activities and reward people for saying no and focusing their efforts. |



Source: EAB interviews and analysis.

# Are We Investing (and Divesting) Where Payoff Is Greatest?



| Historic Tendencies | New Capabilities |
| --- | --- |
| **Infrequent Portfolio Assessments**<br>Portfolios are reviewed sporadically, with little accountability for sustained performance or outcomes. | **Regular Health Checks**<br>Institute recurring reviews for academic, athletic, and research programs that are tied to clear performance outcomes. |
| **Automatic Resource Renewals**<br>Budgets are renewed automatically regardless of outcomes, locking in outdated priorities across units. | **Sunset Mechanisms**<br>Build explicit processes to phase out underperforming initiatives and free resources for higher-value uses. |
| **Scattered Experiments**<br>Ideas proliferate across units and faculty without structures to prioritize, support, or scale them. | **Seeded Innovation Pathways**<br>Channel promising ideas into structured pathways with seed funding to test, refine, and scale. |
| **Single-Basket Strategy**<br>Budgets and offerings rely too heavily on a narrow base, increasing vulnerability to shocks and shifts in demand. | **Portfolio Diversification**<br>Tap diverse funding sources and spread investments to reduce risk and boost financial resilience. |



Source: EAB interviews and analysis.

# Do Our Structures Enable—Not Stifle—Innovation?



| Historic Tendencies | New Capabilities |
| --- | --- |
| **Continuity Bias**<br>Structures and incentives emphasize continuity, discouraging experimentation and limiting organizational progress. | **Innovation-Linked Incentives**<br>Tie faculty and staff recognition and advancement to experimentation, risk-taking, and forward progress. |
| **Tradition Loyalty**<br>Campus stakeholders default to legacy practices, limiting change and slowing necessary transformation. | **Change-Ready Leadership Pipelines**<br>Prepare future leaders to champion transformation and guide stakeholders through uncertainty. |
| **Ad Hoc Proposals and Approvals**<br>One-off decisions and a lack of standardized processes create inconsistency and limit scalability. | **Innovation Incubators**<br>Create centralized teams, funds, and processes for approving and quickly testing innovative ideas. |
| **Fixed Cost Rigidity**<br>High expenses in facilities, staffing, and infrastructure limit flexibility and trap resources in outdated commitments. | **Adaptive Cost Structures**<br>Keep costs variable through shared space, flexible staffing, and modular services that adjust with demand. |



Source: EAB interviews and analysis.

# Are We Prepared to Act Now for Outcomes Years Away?



| Historic Tendencies | New Capabilities |
| --- | --- |
| **Near-Term Planning Cycles**<br>Institutional processes focus on urgent needs, neglecting long-term financial sustainability. | **Long-Range Financial Forecasting**<br>Use forward-looking projections to guide investments and anticipate emerging fiscal pressures. |
| **Reactive Governance Cycles**<br>Decision-making bodies react episodically, undermining sustained long-term direction. | **Cascaded Strategic Goals**<br>Translate institutional priorities into aligned objectives that guide decisions across all levels. |
| **Crisis Response Hiring**<br>Leadership appointments are made reactively to plug gaps, sacrificing alignment and long-term needs. | **Vision-Driven Talent Recruitment**<br>Intentionally select leaders for mission alignment and future readiness, not just near-term operational needs. |
| **Annual Goals and Performance Metrics**<br>Executive incentives tied to one-year benchmarks discourage bold bets and progress toward long-range outcomes. | **Future-Focused Compensation Plans**<br>Reward leaders for driving initiatives that create durable value and advance institutional transformation. |



Source: EAB interviews and analysis.

# Can We Sustain Momentum When Leaders Turn Over?



| Historic Tendencies | New Capabilities |
| --- | --- |
| **Turnover Turbulence**<br>Strategic initiatives stall or reset with each leadership transition. | **Succession-Planning Discipline**<br>Plan transitions and develop potential successors to minimize disruption. |
| **Informal Commitments**<br>Verbal agreements lack enforceability, leaving priorities exposed to shifting circumstances. | **Charter-Backed Priorities**<br>Codify strategic commitments in formal charters so they persist beyond leadership and agendas changes. |
| **Overreliance on Champions**<br>Projects succeed or collapse based on individual leaders. | **Continuity Roadmaps**<br>Document goals, milestones, and handoffs to sustain progress amid leadership turnover. |
| **Interim Slowdowns**<br>Progress often stalls under interim leaders as authority and priorities remain unsettled. | **Institutionalized Decision Norms**<br>Use standing approvals, fixed review cycles, and delegated authority to sustain momentum through transitions. |



Source: EAB interviews and analysis.