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Trends in Higher Education

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Message from the Publisher

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As the economic climate becomes even more severe post Covid-19, higher education institutions (HEIs) will not be exempted from the austerity of the financial climate over the coming years. Predictions from globally respected financial institutions have shown that growth will be slower than normal, cost of living will rise or continue to be high in most jurisdictions and, labour market will be soft in most places as well, thus leading to graduates having to make a choice between basic living and enrolment into higher education. With these realities on the horizon, this issue of *Trends in Higher Education* explores how HEIs are faring in this new environment and what are some of the coping strategies employed. This issue provides an overview of the broader macro-economic context within which HEIs operate and also, explore some of the challenges which they are facing including but not limited to reduced enrolment, reduced tuition fees among other things. It also focuses on coping strategies such as mergers at the college level and also, cost sharing for back-office operations as strategies to reduce costs.

The material covered in this volume makes for very interesting reading. Policymakers both at the level of public policy and also, at the institutional level should find the material useful as they think about how to re-centre HEIs in the new economic environment.

Have a happy reading.

Trends in Higher Education - Economic Issues Affecting the Higher Education Sector

Introduction

This volume of *Trends In Higher Education* draws attention to the economic issues impacting the higher education sector at this time. It focuses on the broad macroeconomic context in which the higher education sector will be operating within the next year or so. The volume also includes issues such as: first-time graduates and the labour market, how students are coping with increased cost of living expenses, industrial action on campuses and co-operative partnerships as a cost mitigating measure are considered. These are explored in greater detail in the subsequent section.

The Macro Context for Higher Ed

In the aftermath of the COVID-19 pandemic and the Russian invasion of Ukraine, a recent report by the World Bank highlights that the economic forces that propelled growth and progress over the last thirty years are fading. GDP growth is expected to decline by roughly a third from the rate that prevailed in the first decade of this century i.e., to 2.2% a year between 2022 and 2030 (Kose and Ohnsorge, 2023). Developing countries are expected to experience an even more drastic decline from 6% a year between 2000 and 2010 to 4% a year over the remainder of this decade. The International Monetary Fund (IMF) in their April 2023 press release noted that global output growth is expected to fall from 3.4% last year to 2.8% in 2023, before rising to 3% in 2024 (IMF April 2023). It is projected that advanced economies will see a pronounced growth slowdown from 2.7% in 2022 to 1.3% in 2023. Closer home, growth in Latin America and the Caribbean is forecast to slow to a 1.3% in 2023 before recovering to 2.4% in 2024 (WB, 2023).

Inside This Issue:

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For the Caribbean[1] growth is expected to slow to 5.6% in 2023 and 5.7% 2024 (WB, 2023).

Further, The *Global Risks Report 2023* highlights that there has been a rapid normalisation of monetary policies and a start to a low-growth, low-investment era and underscores the downside risks to the economic outlook - liquidity shocks, prolonged economic downturn and debt distress, continued supply-driven inflation.[2]

The slowdown has implications for governments' fiscal performance, job creation, social expenditures, and investments in education.

Impact of Slower Growth on Higher Ed

The operating performance of the higher education sector has already started to feel the impact from the new macro-economic conditions. Seltzer (2022) notes that r HEIs in the United States will have to contend with mixed enrolment trends, pricing constraints and affordability, inflationary costs and interest rates, staffing issues, and expense management. Although US institutions have only been able to raise tuition slightly because of inflation, the additional revenue they generate is unlikely to be sufficient to offset rising costs. In parts of Australia, public universities saw a decline in their operating margins which led to healthy 2021 surpluses converted into 2022 deficits. This was a result of downturn in investment earnings and slight declines in international student revenue (Ross 2023b). In the United Kingdom, some universities reported that their deficits in 2021/2022 were pension-driven (Jack 2023). At the same time, public support for research and development funding was tentative although there was some level of recognition that it could lead to job creation and local economic development (Williams 2023c). Thus, HEIs will need to exercise continued controls over operational and capital spending, preserving both liquidity as well as some budgetary flexibility.

The economics of student living

Students are in a tricky position trying to cope with the cost of living, given energy cost and inflation. Findings from surveys highlight the extent of the crisis faced by students. Williams (2023d) shows the dire situation:

- Nearly two-thirds (63%) report spending less on food and essentials, with more than a quarter (28%) saying they have skipped meals to save on food costs.
- Spending on energy and socialising has also been reduced by about half of the students polled.
- Some 6% say they have moved back in with their parents to save money on rent or bills.
- 27% of students say they have taken on more paid employment, 11% have accessed hardship funds, 4% have taken out private loans and 2% have used a food bank.

Institutions have attempted to provide stop-gap support through hardship funding. However, cost of living support is low on the government's agenda which means that institutions will have to assess their priorities if they are to provide more targeted support to students.

Economic conditions and the job market

An analysis of New York Federal Reserve data, published earlier this year, considered the earnings of recent college graduates, and explored the labour market according to their college major (Descalsota 2023). Using data on the median salaries of first-degree graduates in 2021, the data revealed that the six lowest-paying majors fell under social sciences and liberal arts. In comparison, the highest-paying majors were all in STEM industries, which include

[1] Includes Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Suriname.

[2] The Report noted that among the 32 global risks ranked by severity over a two-year period the following economic risks were identified: debit crisis (11), failure to stabilize price trajectories (12), prolonged economic downturn (13), collapse of a systemically important industry or supply chain (17), asset bubble bursts (22) and proliferation of illicit economic activity (28).

careers in science, technology, engineering, and math.

With first-degree graduates looking towards their first-job, SCUP (2022) highlighted the analysis of WalletHub, a personal finance website, which assessed the best and worst entry-level jobs in 2022, based on twelve metrics. These include but not limited to measurements of immediate opportunity, average starting salary and income growth potential and job hazards. In a comparison of 108 entry-level positions, the best first-time jobs come from the field of engineering - software engineer, electronics engineer, engineer, system engineer and industrial engineer.

Such findings have led SCUP (2022) to suggest that HEIs should consider the qualities that are important to graduates when they are looking at entry-level jobs and providing them with tools that would assist them in evaluating different career opportunities against these qualities. Degree apprenticeships may be considered an alternative as it incorporates knowledge, skills, and work behaviours. In the United Kingdom, about 100 UK universities offer degree apprenticeships, around two-thirds of the entire sector (Williams 2023b), with similar programmes launched in Spain, New Zealand, Canada, and Australia and Pakistan (Nawaz 2023).

HEIs strategies to manage costs in the economic downturn

As HEIs seek to transform their educational and business models in an era of reduced public funding as well as declining tuition fees, there has been an increase in mergers and acquisitions. Wallace (2022) notes that 95 college mergers have taken place in the past four years in the US, which is 21% more than any prior point in the 21st century. The most common mergers are those that happen with smaller schools located in the same state as one another (e.g., Delaware State University announced plans to acquire neighbouring Wesley College in 2021) and those among private non-profit schools with fewer than 5,000 total students.

Beyond mergers and acquisitions, forming partnerships with other institutions is another way to go to support operations and mitigate costs. The Transformational Partnerships Fund (TPF)[3] provides resources and expertise to help institutions explore a range of partnership options which can include sharing administrative services to merging with another college or university (SCUP 2023). The Fund has also made grants to community colleges considering a merger with a four-year institution; private colleges exploring ways they might combine their back-office operations; to smaller colleges seeking advice on how to better, and collaboratively, manage institutional research; and to historically Black colleges working on strategies to promote wellness and mental-health services.

In the case of Southern New Hampshire University (SNHU) and the Urban College of Boston (UCB) a partnership was formed that resembles outsourcing or a consortium whereby SNHU will provide resources (most likely IT, back-office help with financial-aid processing, and marketing) to UCB. The "platform co-operative" that resulted is considered a potential model that could be replicated whereby institutions could lend their resources and expertise to help sustain other colleges with their own unique and worthy missions. It is envisaged that while SNHU personnel will initially do work under contract to the co-op it will eventually hire staff or help coordinate the

[3] The Transformational Partnerships Fund ("TPF" or the "Fund") was launched in March 2021 to support colleges and universities interested in exploring partnerships that could fundamentally improve how they operate and serve students—especially students of colour, students from low-income families, and other underserved populations. The Fund provides institutions with a safe space for discussions, referrals, and grants of up to $100,000. TPF was established by ECMC Foundation and SeaChange, with additional founding support from Ascendium Education Group, The Kresge Foundation, and the Michael & Susan Dell Foundation. See TPF annual Newsletter 2022.

sharing of expertise from among members that join. In addition, the co-op is set-up in a way that it owes fiduciary duty to its members, not its sponsor.

Further, as it relates to course offerings to gain revenue, Zimpher (2023) highlights a collaboration in the pipeline at US institutions. She draws attention to the association between the Texas State University System and the university systems of Hawaii, Southern Illinois and Montana for successful course sharing between campuses at the system level.

Increased industrial action by academics

As the economic crunch is felt in HEIs, there would most likely be an increase in industrial action by both faculty and staff. Academics in the UK, US and Australia are engaging in varied forms of industrial action such as disputes over pay, working conditions, access to health resources, and pensions. Australian union members expressed concerns over job insecurity, escalating workloads and university governance based on the findings from a survey by National Tertiary Education Union (NTEU). At Rutgers University some 9,000 full- and part-time faculty have blocked classes in the first walkout in the 256 years of the public university (Basken 2023). Staff at over a dozen universities in Australia have also voted to take industrial action (Ross 2023a). In the UK, members of the University and College Union (UCU) staff are engaged in strikes which affect students at about 145 institutions (Williams 2023a).

Conclusion

It is expected that the higher education sector would continue to face financial challenges, particularly in light of a low growth, low investment environment, in the post Covid-19 pandemic period. Issues relating to contracted revenue streams including tuition fees and settlement of labour disputes will continue to impact the financial health of institutions. In addition, the effects of cost of living will also impact student participation and retention. As such, it is advisable that HEIs review their business and operational models to grow revenue streams, manage expenditure and mitigate risks, in order to survive.

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