THE DEMOGRAPHICS TEST

By Stephen G. Pelletier

How well is your institution positioned for a future where students may be scarce, the student body will be more diverse, and some learners may need more help to succeed?

When the retail giant Toys R Us declared bankruptcy in 2017, one reason was the decline in birth rates. "Most of our end-customers are newborns and children," a company document stated, "and, as a result, our revenues are dependent on the birth rates in countries where we operate."

It's not much of a leap to see that higher education faces similar challenges. Declining birth rates are stemming the pipeline of high school graduates. That trend is worse is some pockets of the country, but projections suggest that demographic challenges are going to cast a long shadow across most of higher education well into the next decade. Those trends are likely to be hard-felt among state colleges and universities—exacerbating the financial challenges they already face.

Inside the Projections

Some of the most sobering conclusions about student demographics are documented in "Knocking at the College Door," research from the Western Interstate Commission for Higher Education (WICHE). Three essential themes spring from WICHE's work: the number of high school graduates will flatten, some regions will see significant declines in numbers of high school graduates, and the pool of high school graduates will grow increasingly diverse.

Overall, WICHE projects, the number of high school graduates will stagnate for most of the next decade—a stark change from the steady increases we have seen over the last 15 years. WICHE projects that the number of graduates will average around 3.44 million annually through 2023, then will top out by around 2026 at some 3.56 million graduates. After that, though, the number of high school graduates will decrease 8 percent through the early 2030s. The root cause goes back to the trend that helped bring Toys R Us down: a dramatic decline in births since 2007.

Generally speaking, WICHE expects to see growth in the number of high school graduates in the South and West, while the Midwest and Northeast, which have already seen declines, will continue to experience fall-off. Between 2014 and 2025, WICHE projects a 4 percent decrease in white students in the Midwest and a 24 percent increase in nonwhite students, with Hispanic and Asian/Pacific Islander graduates factoring heavily into those upticks. Comparable figures in the Northeast are 14 and 29 percent, respectively. But the net change downstream is perhaps the most telling: WICHE predicts an overall decline of 8 percent in high school graduates in both regions from 2025 to 2032.

The South, meanwhile, will see growth in high school graduates of 10 percent or more, and will produce approximately 45 percent of all students with a high school credential. In that region, nonwhite students, including a rapidly growing Hispanic population, will become the majority. Still, WICHE projects, increases in numbers of high school graduates in the South will peak around 2025, and then could fall off by as much as 8 percent into the 2030s. In the West, WICHE foresees modest growth in the number of high school graduates through 2024, but then a precipitous drop—reflecting declines in the Hispanic birth rate.

The bottom line, says Peace Bransberger, a senior research analyst at WICHE, is that as we enter the 2030s, "virtually every state in the nation will see

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declines in the number of high school graduates." In the years building up to that decade, she says, the South and West will first see a surge and then a pullback in the pool of high school graduates. The Northeast and the Midwest will see more or less continuous decline.

Another trend is that the pool of high school graduates is getting more diverse ethnically. The population of white students is projected to decline by 17 percent between 2013 and 2032. By 2032, white students will still be in the majority in higher education nationally, but just barely. Over the next decade, WICHE projects that we'll see rapid growth in the number of Hispanic and Asian/Pacific Islander graduates. High schools will graduate black students at consistent rates between now and 2032, but the overall number of black graduates will erode by some 6 percent between now and then. Growth in Hispanic graduates will taper off after 2025—the results of that post-2007 birth dearth.

Analyzing the Projections

Education analyst Robert Kelchen, an assistant professor of higher education at Seton Hall University (N.J.), sees related concerns. "Enrollment growth will be mainly among lower income families who may have a difficult time paying the full sticker price even at a regional public university," he notes. Moreover, Kelchen suggests, students will be concentrated in urban areas, putting rural schools at a disadvantage. "Even within states that are doing fine, it's important to look at the demographics," he says. "Where's the population growth? Is it in areas close to regional public universities, or is it more in urban locations where some of the more selective institutions tend to be? It's a real challenge to get students from urban and suburban areas to go to a rural university."

Nathan D. Grawe, an economist at Carleton College, has taken a particularly deep dive into student demographics. In his provocative book *Demographics and the Demand for Higher Education* (2018, Johns Hopkins University Press), Grawe frames what he calls the Higher Education Demand Index (HEDI). Based on data from the 2011 American Community survey, the HEDI estimates the probability that students will go to college by variables that include institution type.

Grawe's prognosis is potentially bleak for many institutions in the AASCU universe. "If anything," he writes, "the HEDI's predictions for regional four-year institutions are more negative than the dominant narrative," such as that found in the WICHE numbers. Noting that WICHE projects population growth in the Southwest, for example, Grawe offers a more nuanced take. HEDI data, he says, project growth in the number of students in the Southwest attending *two-year* schools. If four-year schools in the Southwest are going to tap the benefits of population growth in their region, he writes, "then they will need to find new recruitment strategies to draw students whose demographic markers suggest they are bound for other parts of the higher education market."

Hard Choices Ahead

What are the effects of these trends at individual institutions? Already, declining enrollment is driving some tough choices. The University of Wisconsin-Stevens Point announced plans to close programs—including English, art, French, history, political science, sociology and Spanish—and lay off faculty. Eastern Kentucky is suspending 12 academic programs, two certificates, four minors, and three concentrations, and is RIF-ing 153 positions. A growing number of schools are following a similar strategy to reinvent themselves through consolidation.

Retrenchment, though, is not the only path forward. Some schools are positioning themselves to serve new student markets. Facing significant declines in the pool of traditional age students, for example, the University of Maine at Presque Isle (UMPI) created an online, competency-based undergraduate program designed to help adult learners earn their college degree in a few years for under $10,000.

Other institutions are doubling down on their mission and even expanding to get ahead of their demographic challenges. A case in point is Northern Michigan University. About as high up the Upper Peninsula as you can go, NMU looks out on Lake Superior, the largest freshwater lake in the world. No students thataway. To the south, hundreds of relatively rural, relatively underpopulated miles separate the campus from students in urban centers like Chicago and

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Detroit—miles that incidentally are dotted with many other colleges. Meanwhile, WICHE forecasts a 13 percent drop in Michigan high school graduates between 2013 and 2025. NMU President Fritz Erickson says one leading indicator of the decline in high school graduates up his way is in the number of local football teams that have changed from 11-man to 8-man configurations.

Against those inherent challenges, then, how did NMU manage to increase its freshman enrollment by 11.6 percent for 2017-18—performance it expects to repeat or maybe even best this coming year?

"The challenges of the demographic decline are certainly significant," Erickson says. "But I think everyone here was just frankly tired of budget cuts. Higher education has been doing them for so long. You just get sick of it." Fighting that weariness, NMU decided to chart a different way to fight the demographic decline. "We set out to try and figure out a path that could buck that trend," Erickson says. "We've tried to do a number of things that were different than what other institutions were doing."

For starters, he says, NMU spent a year talking as a campus about its core values. "If you're really going to figure out how to define yourself, and what makes you distinctive, you really need to understand what your values are," Erickson says. That exercise resulted in a strategic plan called "Investing in Innovation." (The plan's subtitle is "vision and courage to lead transformational change.") Thinking differently about how to meet its challenges, NMU decided to make strategic investments in its future. A big part of that strategy, Erickson says, was to "unshackle our faculty and staff to do the creative work that they do, and be willing to take some risks."

NMU allocated $1 million in what it called "risk money" to create a "Program Investment Fund." NMU invited anyone with an innovative idea to apply for development money from the fund. After some initial skepticism, several game-changing innovations got funding. One was a new forensic anthropology program focused on the nation's first cold-weather "body farm," where forensic students can study how bodies decompose. Separately, NMU chemists started a program in medicinal plant chemistry—timely in the context of the emerging marijuana industry. Recognizing that its region lacked places to support kids with autism, NMU psychologists stepped up to create one.

Marijuana jokes notwithstanding, Erickson says initiatives like those started creating a buzz about NMU. Medical schools took note of the forensics program. The program for kids with autism quickly outgrew its initial space. Potential students also started taking notice. Expecting to be a boutique program with perhaps 20 enrollees, the medicinal plant chemistry program initially attracted some 500 applicants. Those successes prompted other faculty to develop other innovations.

To help recruit students from afar, NMU decided to be intentional—even aggressive—in promoting its location. Marketing outreach now highlights opportunities to ski, go ice climbing, and otherwise enjoy the outdoors. A new set of residence halls, with 1,200 beds—the product of a successful private-public partnership with the developer EdR—features a giant common space designed to look like a grand hunting lodge. Facilities like that help sell the campus to prospective students and their parents, Erickson says.

Bucking a trend toward cutting athletics, NMU is adding sports—piggybacking a men's swim team on an existing program for women, for example, and adding women's lacrosse to make NMU more competitive in recruiting students in eastern states.

"I think the biggest piece for me is really to embrace who you are," Erickson says. "I think one of the mistakes so many of us make is that we think the thing to do is to become something different, serve a different population." Resisting that tendency, Erickson instead argues that "embracing your sense of place, of location, of what you are, is just really vital."

Adjusting to a Changing Market

Implicit in examples like NMU and UMPI is that clinging to the status quo or the hope that things can only improve may not work. Different strategies may be imperative. For some institutions, figuring out those different strategies may have to start with educating the campus community. From discussing WICHE data at

meetings, for example, Bransberger finds that while some campus leaders fully understand today's demographic realities, others on campus may be in denial. Presidents may have to lead the effort to get key campus decision makers on the same page about the implications of demographic trends.

The demographics data suggest that many institutions will increasingly serve new and different student populations, whether those students are older or from different socio-economic and ethnic backgrounds. In an interview with *Public Purpose*, Grawe said, "HEDI forecasts suggest that increasing diversity is going to be relevant for all campuses." That's already a big factor, for example, in schools that are serving more adult students and those from populations that traditionally have been underserved by higher education.

Between fall 2018 and fall 2017, for example, Northern Arizona University (NAU) saw its Hispanic student population double to just over a quarter of its entire student body. The number of Native American students also doubled in that time period. More than a third of NAU's students (37 percent) are Pell-eligible and nearly half (46 percent) are first generation college students. Looking at such factors in combination means that "we are going to be challenged in looking at how we serve the students," says NAU President Rita Cheng. "There are some gaps in attainment, retention and graduation, and we're committed to closing those gaps." Among other specific initiatives to serve its diversifying student body, she says, NAU has created a campus multi-cultural center "so that we can serve all our students, including all of our ethnic population and our LGBTQIA students, a bit better." Further, she says, "the need to serve first generation students is predominant on the minds of our student affairs staff," which has been working with foundations and re-allocated university funds to better serve that population.

Looking again at the factors that led to Toys R Us' demise shows some eerie parallels to challenges that could trip up some colleges and universities. Analysts say the company did a poor job of adjusting to a changing marketplace. Writing in *Forbes*, for example, Aaron Fulkerson, CEO and co-founder of the software firm MindTouch, observed that Toys R Us "never quite committed to understanding the 21-century customer" and "never scaled out of the brick-and-mortar model." Other analysts said that Toys R Us had too much debt, failed to understand its competition, lacked imagination, couldn't compete on price, and offered a sub-par customer shopping experience in its retail outlets.

Enrollment management consultant Jim Black, president and CEO of SEM Works, regularly offers advice to colleges and universities. Publishing excerpts from a forthcoming book on LinkedIn, Black says institutions of higher education should "create unexpected value," avoid being average, seek out opportunities for expansion, and "determine what the customer craves and deliver it." Further, he argues, higher education needs to learn how to "equate disruption with innovation, not extinction."

"Expect and plan for more intense competition for a limited pool of students than your institution has experienced to date," Black says. To gain competitive advantage in this emerging environment, Black believes that institutions "must innovate, invest strategically in the initiatives and programs that matter most to your potential and current students, remain true to your mission and leverage institutional strengths to the degree possible, and focus on delivering a value proposition that aligns with the needs of the market." P

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