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Why is there excess educational capacity in American higher education?

Executive summary

Undergraduate educational capacity across U.S. colleges and universities significantly exceeds demand, with an estimated 8.5 million full-time equivalents of excess capacity as of 2023. In the current analysis, we examined various potential drivers of excess higher education capacity in the United States, including a) the historical basis of the higher education structure in the United States, b) demographic changes, c) changes in the perceived value of higher education, d) the development of alternatives to traditional higher education, e) changes in employer demand for higher education degrees, f) student preferences for larger colleges and universities, and g) constraints of current faculty employment models.

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a) The historical basis of the higher education structure in the United States: In the United States, early efforts of the nation to democratize and expand access to higher education were unique and very likely accounted for much of the industrial and economic advantage of the nation over other countries that restricted higher and secondary education to only the privileged or monied classes. However, the excess capacity of higher education today is, paradoxically, in part the result of the historically high value the American public and local communities have placed on the transformative impact of higher education for all, resulting in a very large number of small, locally serving institutions of higher education (IHEs). Consequently, in the United States, and to a lesser degree in Europe, the sector has many more IHEs, principally smaller colleges, than it actually needs.

b) Demographic changes: Demographic changes are a fundamental driver of excess capacity in U.S. higher education. Fewer traditional students, an aging populace, and low reengagement among stop-outs mean many colleges will find their existing capacity underutilized if they do not adapt. The data underscore a need for forward-thinking adjustments in both institutional strategy and public policy to align supply (educational programs, campuses, faculty) with the new demand realities of the coming decades.

c) Changes in the perceived value of higher education: While overall enrollment has declined since its peak in the early 2010s, ultimately the decline in undergraduate enrollment signals more than just demographic change—it reflects a broader shift in how students perceive the purpose and value of higher education. With rising costs and the growing appeal of alternative credentials, traditional higher education faces a legitimacy challenge. Colleges and universities must rethink their value proposition, emphasizing affordability, outcomes, and relevance to today's workforce. As the educational landscape continues to evolve, institutional success will depend on the ability to provide accessible, flexible, and meaningful learning opportunities for the next generation.

A sharp and sustained rise in tuition, coupled with a retreat in public funding, has shifted the financial burden onto families. This has made higher education not just more expensive, but increasingly inaccessible for many. As a result, skepticism about the value of a degree has intensified: Only 36% of Americans now express confidence in higher education, down sharply from 57% in 2015. Among younger adults, a growing number no longer view a degree as necessary for economic mobility, especially when alternative credentials and skilled trades offer viable, lower-cost options with clearer outcomes.

d) The development of alternatives to traditional higher education: Generation Z, in particular, is challenging the long-standing belief that a traditional four-year degree is the only path to career success. Instead, they're prioritizing flexible, faster, and more affordable pathways into the workforce that emphasize practical skills over academic credentials. This shift is both generational and evidence-based, fueled by the recognition that the return on investment (ROI) of a college degree is not uniform and appears to have decreased over time.

e) Changes in employer demand for higher education degrees: Crucially, access to higher education today is not constrained by physical capacity or admissions barriers, but by perceived relevance and value. Even IHEs with open seats struggle to attract students who question whether the traditional model aligns with their goals, values, or financial realities. This suggests that enrollment declines may not simply be cyclical but reflect a structural shift in how society views the role of college in preparing individuals for the future.

In addition, a divergence is emerging between undergraduate and graduate education. While undergraduate programs face intense scrutiny and declining enrollment, graduate programs—especially those tied to economic advancement—have proven more resilient, attracting both domestic and international students. Still, concerns about cost and outcomes persist at all levels, underscoring the urgent need for IHEs to reassess their value propositions in a rapidly evolving educational landscape.

f) Student preferences for larger colleges and universities: The very large IHEs (>30,000 students) have continued to grow, while smaller IHEs have generally experienced enrollment declines. In a recent study, we noted that the size of an institution plays a moderate, but not dominant, role in the choice that prospective students make when deciding where to apply and enroll. Regionally, there are few differences. Traditional students were more likely to prefer larger IHEs than nontraditional students. Graduate students were significantly more likely than undergraduate students to consider institutional size highly influential when deciding where to apply and to prefer a "Large" (>10,000 enrollment) IHE, but not necessarily a "Very Large" (> 20,000 enrollment) college or university. These data suggest that the increasing enrollment of the very large university stems primarily from its ability to compete on many levels, rather than primarily on student preference for that size of institution.

g) Constraints of current faculty employment models: A factor likely also driving excess capacity is the discordance between declines in student enrollment and faculty headcounts, the latter which fall only gradually, if at all. The likely factors impeding downward adjustment of faculty numbers coincidental with declines in student enrollment figures include legal and contractual protections (e.g., tenure systems, collective-bargaining agreements, and institutional regulations), short-run cost dynamics favoring faculty (and

staff) retention in the short term, uneven enrollment patterns across disciplines and IHEs, accreditation and program-quality constraints, and strategic institutional behavior intended to avoid irreversible decisions.

Overall, our analysis indicates that excess undergraduate higher education capacity in the United States is driven by several factors: the historical basis of the higher education structure in the United States, which helped create a massive array of smaller IHEs across the nation; major demographic changes, particularly an aging population and declining birth rate, that have reduced the number of traditional candidates for IHE enrollment; and changing perceptions of the desirability, value, and affordability of a higher education degree. Other less critical drivers include the development of alternatives to traditional higher education, changing employer requirements, increased college competition driving a spending "arms race" best suited for larger and wealthier IHEs rather than smaller less resourced ones, current faculty employment models, and student preferences for larger IHEs.

This and our previous report highlight two facts: 1) excess capacity in American higher education is structural, not cyclical, and is approximately 8.5 million FTE undergraduate seats, or ~50% of current enrollment; and 2) the causes of the current excess capacity in American higher education are multiple, overlapping, and largely irreversible on current trajectories.

The data also note that a number of tactics should be considered, including investing in adult reengagement, improving retention and completion rates, differentiating, achieving market clarity, and state regional planning. However, most important is the fact that in a sector with softening demand, significant excess capacity, and rising costs, consolidation is inevitable.

The third important fact suggested by this report is that mergers, consolidations, fundamental restructuring, and closures should not be viewed as worst-case scenarios. They are the most likely path forward.

Today's higher education leaders, including governing boards, executive leaders, state and federal officials, policymakers, and the broader community should focus on: 1) seeking and facing the facts, 2) preparing and regularly sharing long-term retrospective and prospective assessments of institutional status, 3) deliberately including consideration of major institutional restructuring or mergers in regular strategic sessions, 4) embracing the "First Mover" advantage, 5) sharing data and creating urgency without fear, 6) recognizing the need for different leadership skills, and 7) seeking external expertise as needed. These data underscore the need for forward-thinking adjustments in both institutional strategy and public policy to align supply (educational programs, campuses, faculty) with the new demand realities of the coming decades.

Leaders should recognize that major institutional restructuring, including mergers, major strategic partnerships, and closures, is not a sign of failure and certainly should not be considered a worst-case scenario. These options should be understood and considered by all governing boards and executive leaders, recognizing the current state of higher education in America.

We recently reported on excess educational capacity in higher education in America[1] and concluded that there was significant excess undergraduate educational capacity across U.S. colleges and universities in 2023, approximating 8.5 million undergraduate full-time equivalents. It's a figure equal to approximately 50% of current enrollees, or more than the total current enrollment of all institutions of higher education (IHEs) with less than 10,000 students. In most industries, the sector would have adjusted downward as demand decreased. But why not in American higher education? We examine various potential drivers of excess higher education capacity in the United States.

The historical basis of the higher education structure in the United States

Since the early days of the nation, higher education was valued as a practical means to advance all of society. As such, American higher education was made as widely available as possible. This democratization and valuation of higher education in the United States were further driven by the desire of many faiths and churches, and local leaders and philanthropists, to ensure that their communities offered these educational opportunities, primarily at what would become the junior college and college levels. These efforts were further complemented by those of the federal government, beginning with the Morrill Acts of 1862 and 1890, which led to the development of the public land-grant university system and many of today's historically Black colleges and universities (HBCUs). Many subsequent efforts by the federal government continued to expand access to higher education and its role in advancing research and innovation. These efforts resulted in the development of many IHEs across the nation, most of which started as small colleges and universities primarily serving the local community, and many have remained as such.

In contrast, higher education in Europe was primarily reserved for the privileged and wealthy classes until after World War II,[2] long after the American effort to support and expand higher education. Paradoxically, the result has left the U.S. higher education system more fragile, with a higher proportion of small and private IHEs than in Europe.[3]

To this effect, in the fall of 2021, U.S. IHEs with <500 students accounted for 24% of all degree-granting colleges and universities in the nation, although they enrolled only 1% of all students. IHEs with <1,000, <5,000, and < 10,000 students accounted for 36%, 75%, and 87% of all degree-granting IHEs in the United States, although they trained only 2.8%, 22.0%, and 40% of all higher education students. (Table 1). Alternatively, the 2021 European Tertiary Education Register (ETER) database (similar to the U.S. Integrated Postsecondary Education Data System, or IPEDS)[4] reported that in Europe the proportion of smaller schools, those with <5,000 students (ISCED 5–7), was 58.5% (1591/2719)[5] and enrolled approximately 8% of all students. In contrast, in the United States, 75% of all colleges or universities had <5,000 students and these IHEs educated 22% of all higher ed students. Europe has a similar number of students in higher education (i.e., tertiary education or levels 5 to 8 of the International Standard Classification of Education, or ISCED) to the United States, approximately 18.5 million headcount.[6]

TABLE 1. NUMBER AND ENROLLMENT OF DEGREE-GRANTING INSTITUTIONS IN THE U.S., BY SIZE OF ENROLLMENT (FALL 2021)

Size of enrollment of institutions of higher education	No.	% of total	% by enrollment
<200	492	13.03%	0.27%
200–499	419	11.09%	0.75%
500–999	444	11.76%	1.74%
1,000–2,499	867	22.95%	7.78%
2,500–4,999	597	15.81%	11.42%
5,000–9,999	470	12.44%	18.11%
10,000–19,999	292	7.73%	21.81%
20,000–29,999	94	2.49%	12.36%
>30,000	102	2.70%	25.76%

Data from Table 317.40. Digest of Education Statistics. U.S. Department of Education, National Center for Education Statistics.

While it's hard to compare numbers due to the variations in reporting among European countries, there also appears to be more degree-granting IHEs per capita in the United States (with ~3500 IHEs[7] for 340 million inhabitants[8]) than in Europe (with ~3,500 IHEs recognized across 41 European countries in the European Tertiary Education Register,[9] although this could be as high as 5,600 IHEs,[10] for 750 million inhabitants[11]). This translates to approximately 97,142 residents per IHE in the United States versus 133,928 to 214,285 residents per IHE in Europe. Thus, we can assume that IHEs in Europe tend to be larger by enrollment than those in the United States.

In conclusion, the early efforts of the nation to democratize and expand access to higher education were unique and very likely accounted for much of the industrial and economic advantage of the nation over other countries that restricted higher and secondary education to only the privileged or monied classes. Ironically, the excess capacity of higher education today is partly the result of the historically high value American communities placed on higher education for all, resulting in a very large number of small, locally serving institutions. Consequently, in the United States, and to a lesser degree in Europe,[12] the sector has many more IHEs—principally smaller colleges—than it actually needs. This enormous building out of U.S. higher education over the past three centuries now has to reckon with the declining birth rate and declining population of the nation.

Demographic changes

The United States is entering a period of significant demographic shift that directly impacts higher education demand. In particular, declining fertility and birth rates[13] over the past two decades mean smaller cohorts of traditional college-age students. For instance, the total fertility rate fell from about 2.12 in 2007 to 1.64 by 2020, which was a record low.[14] Consequently, the number of high school graduates peaked in 2025-26 and then is expected to steadily decline in the following years.[15] This "enrollment cliff" is a primary driver of excess capacity—colleges and universities having more seats and infrastructure than current and future enrollment can support. However, according to the National Center for Education Statistics (NCES), overall undergraduate enrollment declined 13% between 2012 and 2022, well before the full onset of the "demographic cliff." In addition to lower birth rates and a declining population, other demographic trends will affect higher education in America and other developed countries. An aging population, changing regional patterns, and a growing pool of adult learners, including those with some college but no degree, will also contribute to excess capacity across undergraduate and graduate higher education. We briefly review some of these demographic trends.

Birth rates and high school graduates: The decline in birth rates since the mid-2000s is translating into fewer high school graduates, the traditional population of incoming students to IHEs. Western Interstate Commission for Higher Education (WICHE) projections indicate that the total number of high school graduates peaked in 2025 and now are entering a period of expected steady decline (~13% drop by 2041),[16] as the smaller birth cohorts born after the Great Recession reach college age. In raw terms, this reflects the drop in annual U.S. births from roughly 4 million-plus in the 1990s–2000s to about 3.6–3.7 million in recent years.[17] Fewer births also mean a shrinking pool of traditional college freshmen in the decades to come.

Regional differences: Demographic impacts are uneven across U.S. regions, leading to regional excess capacity challenges. Northeastern and Midwestern states are projected to see the steepest declines in high school graduates, on the order of 16%–17% fewer graduates by 2041. Heavily affected states include New York (around -27%) and Illinois (around -32%), among others. The Western region will also see a large overall decline (~20% fewer graduates), with California, for example, facing nearly a 29% drop. In contrast, the South is relatively better off, with an overall ~3% increase in high school graduates projected through 2041, although even there some states (like West Virginia at -26%) will experience significant losses. These regional patterns mean that colleges in the Northeast and Midwest in particular will face intensified competition for a dwindling number of local students, while those in parts of the South and Southwest may see more stable or slightly growing demand. Institutions often recruit beyond their regions, but these trends set the backdrop for where excess capacity may be most acute.

Sex disparities: The decline in college enrollment has been a visible trend for more than a decade. As of 2022, the number of 18- to 24-year-olds enrolled in college had dropped by roughly 1.2 million from the peak in 2011. This decline is more severe among young men, with nearly 1 million fewer enrolled compared with a decade ago, while female enrollment fell by just 200,000.[18] Today, men account for only 44% of college students, down from 47% in 2011. The number of female high school graduates pursuing college also declined from 52% to 48%, but the gender gap in enrollment has widened significantly.[19]

Aging population and the young adult demographic: The U.S. population is aging, with lower proportions of youth and young adults. The cohort of young adults (roughly ages 25–34), often the target for adult undergraduate programs or early-career graduate programs, is not growing substantially. National projections indicate that population growth will rely increasingly on immigration because domestic births are below replacement levels. In fact, starting in the 2030s, annual deaths are expected to outnumber births, highlighting a stagnation of the younger working-age population. As the large millennial generation (born 1980s–90s) ages out of the 18–34 range, smaller cohorts follow. This translates into a relatively flat outlook for the 25–35 age group in many areas. A static or shrinking young adult population limits the potential pool of adult learners returning to school, which influences how much excess capacity colleges can hope to fill by recruiting older students.[20] Further, the current pressures to reduce immigration into the United States are projected to worsen the demographic gap in years to come.[21]

"Some College, No Degree" segment: A significant share of the adult population consists of individuals who started college but did not finish, often termed the "Some College, No Degree" (SCND) cohort. As of the early 2020s, this SCND population has grown to roughly 43 million people nationally.[22] Theoretically, this represents an enormous reservoir of potential students, and many institutions and states have initiatives to reengage these adults. However, reenrollment rates among this group remain low. Recent data indicate that only about 2% of these "stop-outs" reenrolled in a given year, and of those who did return, only about 6% earned a credential within a year. On a positive note, about 7% of the SCND population, or about 500,000

individuals, are "potential completers"—individuals who accumulated two or more years' worth of credits before stopping out.[23] These potential completers have higher odds of finishing if they return, and thus they represent a strategic target for colleges looking to boost enrollment. While the SCND demographic is large, converting these adults into enrollees and then graduates is challenging, and without dramatic improvements in adult completion rates, this group will minimally offset the decline of traditional-age students.

Undergraduate versus graduate enrollment: Undergraduate enrollment has been in decline for much of the past decade. Nationally, total undergraduate enrollment in fall 2021 was about 15% lower than in 2010, a drop accelerated by the COVID-19 pandemic (which accounted for roughly 42% of that decline).[24] Fewer traditional-aged students directly translate to fewer undergraduates on campus, leaving some colleges with empty classroom seats or unfilled dorm beds. In contrast, graduate education has shown resilience (see section below). Demand remains strong, particularly in STEM and other professional fields. International student enrollment is increasing, and many domestic workers are turning to graduate programs to reskill or advance their careers. However, concerns about graduate student debt persist, prompting calls for better transparency and accountability regarding program outcomes and financial returns.

In conclusion, current demographic trends in the United States (and many other parts of the world) paint a clear picture: Birth rates are declining, and the traditional college-going pipeline is shrinking and changing, which inherently creates excess capacity challenges for higher education. At the undergraduate level, many IHEs are already grappling with fewer incoming freshmen each year, especially in regions like the Northeast and Midwest. This means some colleges will have to compete fiercely for students, reconsider their program offerings, or even learn to downsize or collaborate in order to efficiently use facilities and faculty. We may see more frequent program closures, mergers of IHEs, or efforts to recruit nontraditional student populations to fill seats. Colleges and universities are increasingly turning to strategies like online education, outreach to out-of-state or international students, and adult learner programs to mitigate the shortfall in 18- to 24-year-old enrollees.

At the graduate and professional level, the immediate pressure of demographic decline is less acute, thanks to continued (if modest) demand from working adults and the drawing power of graduate programs. However, graduate education is not immune to demographic reality. A smaller base of bachelor's degree holders in the future will mean a smaller pool of those eligible for graduate study. Institutions with large graduate programs might shift focus to part-time programs, certificates, and continuous education for older adults to sustain enrollment numbers. Furthermore, as the population ages, there could be an increased demand for lifelong learning and reskilling initiatives—a different kind of demand that savvy institutions could harness, albeit often in nondegree or short-term formats.

In summary, demographic change is a fundamental driver of excess capacity in U.S. higher education. Fewer traditional students, an aging populace, and low reengagement among stop-outs mean many colleges will find their existing capacity underutilized if they do not adapt. These stresses are being exacerbated by changes in the perceived affordability and value of higher education.

Changes in the perceived value of higher education

Since 2011, higher education in the United States has undergone an intense transformation, most significantly expressed by the large decline in enrollment. This overarching meta-trend was influenced by changing demographics. However, there's far more at play contributing to this change in what has been a nearly 80-year trend of continued growth in demand.

The perceived value and accessibility of higher education in the United States have undergone significant reevaluation, as a result of a complex interplay of economic, social, political, and demographic forces. While traditional metrics such as enrollment trends and graduation rates remain critical, if institutional leadership is to effectively respond to what has happened, a deeper understanding is needed regarding why and how demand for higher education is evolving. This begins with examining the evolving attitudes and constraints facing prospective students and their families. Questions now arise around (1) the value and return on investment (ROI) associated with pursuing a college degree, (2) the rising appeal of alternative career pathways, and (3) the financial burden of degree attainment. These are now central to this changing landscape. At the same time, broader societal pressures, including debates over the role of higher education, shifting gender dynamics, and evolving demographic trends, further complicate the picture.

Substantial data have been examined and information developed to understand the trends of declining enrollment and the impacts as expressed by overcapacity, including facilities, faculty, and student [graduate and undergraduate] slots being supported. In this next section, we'll dig into "the why" of this critical change in the trajectory of student enrollment after generations of growth in demand and consider its implications.

Affordability: Affordability has become a universal concern among prospective students and remains one of the most significant barriers to accessing higher education. Survey data indicates that 42% of adults not enrolled in a degree program cite affordability as the primary reason, and 36% say they need to work to support their families.[25] The average cost of tuition alone at public in-state colleges now exceeds $10,000 annually. Out-of-state students pay an average of more than $23,000, while private college tuition can surpass $42,000. Some elite IHEs now charge upwards of $80,000 per year for tuition, fees, housing, and meal plans, bringing the cost of a bachelor's degree to as much as $240,000 over four years.[26]

The concern of the high cost to attain a degree is not new. This issue of financial burden has risen steadily for decades. In 1963, the average tuition at a four-year public college was just $243, equivalent to approximately $2,489 in 2024 dollars. From 1963 to 2022, tuition increased at an inflation-adjusted rate of 2.34% per year. More recently, from 2012–13 to 2022–23, tuition rose by 25.6% across all four-year institutions, with public in-state tuition increasing by 20.8% and private nonprofit tuition by 33.7%.[27] In comparing the economic burden of boomers versus millennials, an analysis by *The Wall Street Journal* indicated that while the cost of many other items was similar, the cost of college in particular shot up, making student debt a ballooning line item on millennials' balance sheets.[28]

Exacerbating the problem, financial responsibility has shifted from states to individuals. Before the 2008 recession, states typically covered more than 50% of college costs. Today, they contribute an average of just 12%. As a result, families are shouldering the majority of education expenses through savings, loans, or student debt.[29] However, it's also clear that debate persists over states' disinvestment in higher education, although it appears state funding has been volatile and has not been pegged to actual cost increases.[30]

Return on investment: Rising skepticism: The dramatic rise in cost has fueled growing skepticism about the value of a college degree. According to Gallup, confidence in higher education fell from 57% in 2015 to 36% in 2023.[31] A *Wall Street Journal*/NORC poll conducted the same year found that 56% of Americans—especially those ages 18 to 34—believe a four-year degree is not worth the cost. Student debt remains the single largest contributor to this doubt.

Understanding this sentiment requires examining two perspectives: those who attended college and those who opted out. Among graduates, 49% say their education helped them grow personally and intellectually. Among non-attenders, 29% said they simply didn't want to attend college, while 23% believed further education was not necessary for the careers they were pursuing.[32] A recent survey by the Education Advisory Board found that 60% of parents of college applicants were most concerned about total cost and post-graduation debt that would burden their graduates.

Public confidence and political and social pressures: Public confidence in higher education has been eroded further by ongoing culture wars and politically related factors. According to Gallup, Americans are now evenly divided: 38% express a great deal or quite a lot of confidence, 37% have some confidence, and 25% report very little or no confidence.[33] This is a dramatic shift from 2015, when only 10% reported low confidence in higher education.[34]

For those who lack trust in the system, key concerns include the perception that colleges promote political agendas, fail to develop job-ready skills, and are excessively expensive. The decline in trust spans all major demographic groups but has been particularly sharp among Republicans. Conversely, those who support higher education cite its societal value (27%), its link to career success (24%), its cultivation of critical thinking (19%), and its faculty quality (13%).[35]

In conclusion, higher education is facing a notable decline in perceived value and public trust, reflecting rising costs, affordability challenges, uneven return on investment across educational paths, and growing political and social pressures. As a result, there's been a rise in alternative educational and training pathways, particularly among Generation Z (Gen Z). Gen Z is increasingly pursuing nontraditional educational routes, including skilled trades and credential-based programs such as apprenticeships, coding bootcamps, and short-term certificates. These options are often faster, more affordable, and better aligned with current labor market needs.

The development of alternatives to traditional higher education

Amid rising costs and growing skepticism about the value of higher education, many Gen Zers are exploring alternatives to the traditional college path. In the first quarter of 2024, Gen Z accounted for 18% of the U.S. workforce but made up nearly 25% of new hires in skilled trades. Industries such as residential construction, HVAC, electrical work, and automotive repair are seeing strong growth. Between 2019 and 2024, the share of new hires ages 18–25 in these sectors grew by nearly 4% annually. Hourly wages for young skilled trade workers have outpaced inflation by 16%, making these roles increasingly attractive.[36]

The concept of alternative degrees is on the rise across the United States, particularly among Gen Z (ages 12 to 27 years), many of whom are just now entering the workforce. The rise of the tech economy has spurred the view that not all good jobs require a college degree, and it's more about building skills than acquiring a four-year diploma. New America's 2024 Varying Degrees Survey found that 63% of Gen Zers feel there are plenty of well-paying stable jobs for people with just a high school diploma.

Alongside trades, Gen Z is gravitating toward nontraditional education models, such as completing training courses via Coursera, Google Career Certificates, and coding bootcamps. These programs are typically faster, more affordable, and more aligned with in-demand skills. According to Deloitte's 2023 Global Gen Z and Millennial Survey, young professionals prioritize flexibility, work-life balance, and meaningful work, leading many toward freelance roles, tech entrepreneurship, or jobs that don't require a traditional degree.[37]

Alternative credentials, certifications, apprenticeships, and micro-credentials are rapidly becoming accepted by employers. These programs are designed to meet industry-specific needs and offer a verifiable path to employment. According to the Society for Human Resource Management (SHRM) Foundation, the number of alternative credential programs grew from 334,114 in 2018 to 967,734 in 2020.[38] Surveys show 72% of workers view them as affordable entry points to new careers. Moreover, 87% of executives and 81% of supervisors view alternative credentials as effective for training and hiring.[39]

Over the past few years, interest in and demand for what's described as "skilled trades" has also made a significant comeback. According to a survey by New America, a Washington think tank, more than 50% of Gen Z believe they can secure a well-paying job with a high school diploma and additional skills or training, reflecting growing concerns about the cost and debt associated with a college degree.[40] According to information from the National Student Clearinghouse Research Center, the number of students enrolled in vocational training through community colleges increased by 16% from 2022 to 2023.

Popular skilled trades[41] include:

- Electrician ($60,000+ median salary)
- Plumber ($55,000+ median salary)
- HVAC technician ($50,000–$80,000)
- Welder ($45,000+ with the potential to earn six figures in specialized fields)
- Auto mechanic ($46,000+ with potential for higher earnings through certifications)

In contrast to what's observed with undergraduate education, graduate (postbaccalaureate) enrollment has seen modest growth over the same period, increasing about 9% from 2010 to 2021.[42] Professional and graduate programs have been buoyed by adults seeking advanced credentials and, in some cases, by international student enrollment.

Looking ahead, projections suggest undergraduate enrollment might stabilize or even inch up temporarily in the late 2020s (NCES projects ~9% growth from 2021 to 2031), but this is largely a recovery from pandemic lows and will still occur against the headwind of a declining youth population. Graduate enrollment is also projected to grow slightly (another ~6% by 2031). Importantly, any future contraction in the number of college graduates (due to smaller undergraduate cohorts) could eventually flow upward to graduate schools. Thus, excess capacity issues are currently more pronounced at the undergraduate level[43] but may extend to some graduate programs in the longer term as the ripple effects of demographic change move through the educational pipeline.

In conclusion, Gen Z is challenging the long-standing belief that a traditional four-year degree is the only path to career success. Instead, they're prioritizing flexible, faster, and more affordable pathways into the workforce that emphasize practical skills over academic credentials. This shift is both generational and evidence-based, fueled by the recognition that the ROI of a college degree has decreased over time. This shift toward alternative educational and training is further supported by employers placing less reliance on college degrees and more emphasis on practical, job-ready skills.[44]

Changes in employer demand for higher education degrees

Between 2010 and 2025, employer preferences for college degrees in the United States underwent a substantial transformation. During the early 2010s, scholars and labor-market analysts documented widespread *degree inflation*—the growing prevalence of bachelor's degree requirements for roles that historically did not demand them.[45] This expansion was driven by automation, digitalization, and employers' risk-averse hiring practices after the Great Recession.

By the early 2020s, a notable *degree reset* emerged as employers increasingly emphasized demonstrated skills over formal education.[46] Recent surveys and hiring data confirm that this shift has accelerated into 2025.[47,48,49] Nevertheless, national projections continue to show strong demand for postsecondary credentials.[50,51]

The beginning of the century saw a broad rise in degree requirements. The Burning Glass Institute found significant increases in bachelor's degree requirements across middle-skill jobs, such as production supervisors and administrative assistants.[52] Employers, facing a large post-recession applicant pool, used degrees as a cost-efficient screening mechanism.[53]

Data from the National Science Foundation (NSF)[54] and the Bureau of Labor Statistics (BLS)[55] confirmed rising educational attainment across sectors. Employer surveys by the National Association of Colleges and Employers[56] showed a persistent preference for graduates, citing communication, teamwork, and adaptability. In this period, the bachelor's degree became a generalized employability credential rather than a field-specific qualification.

By the late 2010s, excessive credentialing drew criticism for excluding skilled workers without degrees. Harvard Business School[57] and Burning Glass Technologies[58] demonstrated that degree requirements often misaligned with actual skill needs, producing inefficiencies known as "the degree gap."

The COVID-19 pandemic and subsequent labor shortages triggered a rapid reassessment of degree requirements. Harvard Business School[59] and the Burning Glass Institute[60] found that degree requirements declined in nearly half of all occupational categories studied.

Newer evidence reinforces this trend. Indeed, Hiring Lab reported that as of early 2024, 52% of U.S. job postings contained no education requirement, and only 17.8% explicitly required a four-year degree.[61] Similarly, a 2023 Intelligent.com survey of 800 employers found that 45% planned to eliminate degree requirements for some positions, with 70% of companies already doing so, intending further reductions.[62] In 2024, Intelligent.com surveyed 750 U.S. business leaders and reported that one in three companies eliminated bachelor's degree requirements from some positions.[63] While 59% did so for entry-level positions, 54% also removed degree requirements for mid-level roles, and 18% did so for senior-level roles.

The Business-Higher Education Forum found continuing declines through 2025: Postings for production managers requiring a bachelor's degree fell from 39% in 2010 to 28% in 2025.[64] These data collectively document an emerging skills-first labor market.

However, implementation remains inconsistent. An HR Brew (2025) report,[65] citing a Burning Glass and HBS analysis, noted that while many firms removed degree language from postings, only 1 in 700 new hires was a non-degree holder. Professional fields such as healthcare, education, and engineering continue to require formal credentials, and NACE surveys confirm that employers still view degrees as reliable signals of readiness.[66]

Despite the degree reset, higher education continues to yield strong economic returns. The Georgetown University Center on Education and the Workforce projects that by 2031, 72% of U.S. jobs will require some form of postsecondary education or training.[67] In turn, the BLS Career Outlook forecasts 19 million annual job openings between 2024 and 2034, with most middle- and high-wage occupations requiring education beyond high school.[68] Finally, the NSF (2021) National Survey of College Graduates also confirms that college-educated workers experience higher earnings, employment stability, and job satisfaction.[69]

In conclusion, these data demonstrate that while employers are diversifying hiring criteria, degrees remain economically and symbolically valuable. However, these data also demonstrate that the requirement for higher education degrees by many employers is softening. But we should note that the decline in enrollment is not the same for all institutions. Smaller colleges and universities and regional institutions are facing greater enrollment challenges than the very large universities or colleges. Is it student preference for the size of these institutions or something else?

Student preferences for larger colleges and universities

All sectors of IHEs, when viewed by size, have experienced enrollment decreases. The one exception is the very large institutions (> 30,000 students), a sector that has experienced an enrollment increase of 19% in the past decade, gaining more than 0.75 million students between 2011 and 2021. While it's obvious that students have voted with their feet, gravitating to the very large institutions, the actual causes of this migration are less clear. Does it reflect the ability of the larger institution to provide a quality education at a lower cost? To offer greater social and student life opportunities? To produce more dominant brand and name recognition?

But what's the role of student preference? Do students actually prefer the very large institution? While there's been a great deal of research on potential student surveys regarding what drives them to select the college or university they ended up enrolling in, no one has assessed the preference of potential students by institutional size. To this end, we engaged Hanover Research to survey potential students, both individuals completing high school and older individuals 25 and older.[70]

Key findings included:

- Only 12% of respondents ranked institution size among the top five factors influencing where they would apply. Regionally, the percentage of respondents reporting that university size was among the top five factors was significantly higher in the Midwest than the South or West (16 versus 10% or 9%, respectively). However, asked another way, size was extremely, very, or moderately influential on their decision on where to apply for 65% of all respondents (8%, 18%, and 37%, respectively). Regionally, there were few differences, none of which were significant.

- Of those responding that university size was one of their top five most important factors in determining where to apply, it was extremely, very, or moderately influential for 17%, 36%, and 36%, respectively, (totaling 89%). Regionally, there were few differences, except between the Northeast and the Midwest (27% versus 45%, respectively) among those considering size as moderately influential.
- Of all respondents, 14% preferred to apply to an institution that was "Very Large" (20,000 or more students total), while another 42% preferred a "Large" college or university (between 10,000 and 19,999 students total). Regionally, there were no significant differences among those preferring a very large institution, although the percentage preferring a large institution was lower in the Northeast than the West (37% versus 45%, respectively).
- Among those preferring a large/very large institution over a smaller one, 25%–34% chose this size of institution because of their greater program options, course options, job or internship opportunities, resources, social opportunities, diversity on campus, extracurricular activities, active social life on campus, financial aid opportunities, academic reputation, access to technology/resources, network opportunities, student clubs/groups, alignment with academic interests, and availability of larger campus events.
- Traditional undergraduate students are significantly more likely to prefer large or very large schools for their job or internship opportunities (44%), social opportunities (43%), more active social life on campus (42%), and extracurricular activities (38%) compared to nontraditional students.
- Among all respondents, 43% noted that the current political climate did not impact on their choice of size of institution that they were interested in applying to. Another 47% noted that the political climate slightly influenced their interest in either larger or smaller institutions. Only 11% reported that the political climate strongly influenced them to prefer to apply to a larger or smaller institution (6% and 5%, respectively). Regionally, the only significant difference was between those feeling that the current political climate strongly influenced their preference for larger institutions among respondents in the Northeast versus those in the South or West (9% versus 3% or 4%, respectively).

In summary, institution size plays a moderate, but not dominant, role in the choice that prospective students make when deciding where to apply and enroll. Regionally, there were few differences. Traditional students were more likely to prefer larger institutions than nontraditional students. Graduate students were significantly more likely than undergraduate students to consider institutional size highly influential in their decision-making on where to apply and to prefer a "Large" (>10,000 enrollment) institution, but not necessarily a "Very Large" (> 20,000 enrollment) college or university, than did undergraduates. These data suggest that the increasing enrollment of the very large university stems primarily from its ability to compete on a number of levels, rather than primarily on student preference for that size of institution. Finally, an additional challenge facing higher education in America is the discordance between changes in student FTEs and faculty FTEs.

Constraints of current faculty employment models

Universities frequently face a puzzling mismatch: student enrollment can decline substantially while faculty headcounts fall only gradually, if at all. The explanation centers on five interrelated mechanisms: legal and contractual protections, short-run cost dynamics, uneven enrollment patterns across disciplines and institutions, accreditation and program-quality constraints, and strategic institutional behavior intended to avoid irreversible decisions.

Legal and contractual inertia: Tenure systems, collective-bargaining agreements, and institutional regulations create strong legal and procedural barriers to rapid faculty reductions. Tenured faculty have due-process protections that make dismissals legally difficult and potentially expensive; therefore, administrations choose actions such as hiring freezes and nonrenewal of contingent contracts.[71] Even if IHEs choose to eliminate faculty positions, procedures make it difficult to act quickly to align faculty headcount with enrollments.[72,73]

Short-run fiscal disincentives: Although reducing payroll is an intuitive response to lower tuition revenue, the short-run fiscal calculus often favors retention. Severance, early-retirement buyouts, pension liabilities, and the accounting treatment of long-term obligations can make immediate layoffs more costly than maintaining existing faculty while drawing on reserves or cutting noninstructional expenses.[74]

Heterogeneity of enrollment declines: Enrollment decreases are rarely uniform across an institution's departments or among institution types. Some programs (e.g., computer science, health professions) have experienced growth even while overall headcounts fell, prompting universities to reallocate hiring, rather than enact broad reductions.[75] This uneven pattern means that simple student-to-faculty ratio targets may cause disproportionate harm to growing or accredited programs.

Accreditation, program quality, and reputational constraints: Accrediting agencies and licensing boards set minimum staffing and curricular standards for many professional programs (e.g., nursing, engineering). Cutting

faculty below those thresholds risks loss of accreditation, licensure problems for graduates, and damage to institutional reputation, which are consequences universities simply cannot accept.[76] Moreover, faculty layoffs can provoke internal governance conflicts and public controversy, incentivizing administrations to prefer gradual, negotiated adjustments.

Strategic delay and the expectation of recovery: Institutions often opt to delay irreversible personnel decisions in the expectation that enrollment declines are cyclical or that strategic interventions (recruitment, program redesign, adult and online initiatives) will grow enrollments. The 2010s and the COVID-19 era demonstrated both short-term shocks and partial recoveries, encouraging universities to use attrition and targeted hiring freezes as first responses to financial exigency.[77,78] Such delays slow the speed of faculty reductions and preserve institutional capacity for enrollment recovery.

In conclusion, a factor likely driving excess capacity is the discordance between declines in student enrollment and faculty headcounts, with the latter of which fall only gradually, if at all. The likely factors include legal and contractual protections (e.g., tenure systems, collective-bargaining agreements, and institutional regulations), short-run cost dynamics favoring faculty (and staff) retention in the short term, uneven enrollment patterns across disciplines and institutions, accreditation and program-quality constraints, and strategic institutional behavior intended to avoid irreversible decisions.

Quo vadimus? What leaders should know and what choices they face.

Overall, our analysis identifies three key factors of excess undergraduate capacity in the United States: the historical structure of higher education, which led to the creation of a large number of smaller IHEs across the nation; major demographic changes, particularly an aging population and a declining birth rate, that are reducing the number of traditional candidates for IHE enrollment; and changing perceptions of the desirability, value, and affordability of a college degree. Other less critical drivers include changing student preferences for larger IHEs, the development of alternatives to traditional higher education, changing employer requirements, increased college competition driving a spending "arms race" best suited for larger and wealthier IHEs than smaller ones with fewer resources, and constraining faculty employment models.

This report highlights two critical facts:

1. Excess capacity in American higher education is structural, not cyclical, and is approximately 8.5 million FTE undergraduate seats, or ~50% of current enrollment.
2. The causes of the current excess capacity in American higher education are multiple, overlapping, and largely irreversible on current trajectories.

From a policy and institutional strategy perspective, these trends suggest several possible tactics, including:

Invest in adult reengagement: Policies that encourage adults with some college credit to return (through debt forgiveness programs, flexible scheduling, recognition of prior learning, facilitating credits for prior experiential learning, and creating clearer pathways from school to work, etc.) could help utilize existing capacity while improving educational attainment.

Improve retention and completion rates: Improving retention and completion rates for current students—for example, via increasing college affordability and strengthening academic support—can prevent adding to the "Some College, No Degree" pool and make the most of those already enrolled.

Differentiate: Too many institutions, particularly small and mid-sized ones, present as many others do.[79] In many cases, they're banking on enrolling students who are proximate to them, rather than on the distinctiveness of their educational programs. While it's clear that students will most often attend schools within 100 miles of their home, it's also true that there are often many IHEs in this 100-mile radius.[80,81,82,83] Differentiation, when possible, will help ensure the branding and name recognition of the school.

Achieve market clarity: Many IHEs are unclear about their market and cast their nets well away from their traditional core student.[84] While this may be needed and successful when planfully implemented, most of these efforts gain a small amount of students only at significant cost. Clearly establishing an institution's market and expanding it strategically using the best data available can help ensure continued enrollment success.[85]

State regional planning will be key: States facing sharp declines may need to consolidate resources or institutions, undertake planned closures of IHEs, or allow institutions to more easily serve students across state lines (through online programs or reciprocity agreements). Alternatively, states with growing youth populations will need to ensure capacity keeps up with demand in certain areas, even as the national picture contracts. In all cases, making higher education more accessible and affordable can potentially expand the college-going rate (i.e., the percentage of high school graduates who enroll), which would counteract some of the demographic decline in absolute numbers.

Most importantly, the data suggest a third fact:

3. Mergers, consolidations, fundamental restructuring, and even closures, are not worst-case scenarios. They're the most likely path forward.

In a sector with softening demand, significant excess capacity, and rising costs, consolidation will eventually be inevitable. These data underscore the need for forward-thinking adjustments in both institutional strategy and public policy to align supply (educational programs, campuses, faculty) with the new demand realities of the coming decades.

Today's higher education leaders operate in an environment where institutional mergers, consolidation, fundamental restructuring, and even closures deserve a place at the strategic planning table. These are not signs of failure, nor should they be considered last-resort, worst-case options. Rather, given the current state of higher education in America, they're worth understanding and weighing thoughtfully by governing boards and executive leaders alike, alongside the many other tools available for securing an institution's future.

To better understand how leaders tend to respond when faced with this kind of information, we looked back at the mindset of enrollment professionals in 2011, the year higher education hit its peak national enrollment before the declines that followed. Could that decline have been anticipated? What lessons might today's leaders draw from that moment?

To explore this, we interviewed 20 enrollment professionals who held responsibility for enrollment strategy at a college or university in 2011 (see Appendix). What emerged from this small sample was a sense that leadership at the time was, understandably, optimistic about the future and about their own institution's ability to keep growing enrollment. Challenges were anticipated, but largely as something that would affect other institutions rather than their own.

That instinct toward optimism is a natural and often valuable trait in leadership. It sustains morale, reassures stakeholders, and reflects genuine belief in one's institution. At the same time, today's higher education sector faces a strikingly similar dynamic. Despite the wealth of data and projections now available, many leaders and governing boards, particularly at smaller and mid-sized institutions, understandably hope they can navigate the current storm largely on their own terms and without major change. Charting a different course is genuinely difficult: It can mean confronting deep questions about institutional identity, community ties, and long-standing commitments. It's worth asking, though, whether pairing that hope with a clearer-eyed view of the data might open up more options, and more control over outcomes, than waiting for the storm to pass.

With that in mind, we offer the following areas of focus for today's higher education leaders, including governing boards, executive leaders, state and federal officials and policymakers, and the broader community:

1. **Seek and face the facts: It will be important for the sector to reckon with a few pressing realities:** Higher education in the United States has massive excess undergraduate educational capacity, equivalent to about 50% of current enrollees; demand is declining and projected to worsen in the years ahead; and costs continue to rise. In any other market, these forces would inexorably drive consolidation.

2. **Prepare and regularly share long-term retrospective and prospective assessments of institutional status:** One useful practice is for leaders to build regular, candid discussions with their governing boards around the state of the institution, including at a minimum an eight-year lookback at finances, enrollment, and student characteristics, such as provenance, retention, and graduation rates. Pairing this with five-year forward projections, covering revenue, expenses, and cash flow, can also help ground planning in realistic assumptions, rather than expecting dramatic shifts in enrollment or net tuition revenue (NTR) unless the eight-year trend data suggest otherwise, and without relying on optimistic assumptions about future philanthropy.

3. **Deliberately include consideration of major institutional restructuring or mergers in regular strategic sessions:** Building in at least a yearly strategic envisioning session with executives and governing bodies, one that reviews the retrospective and projected financial data described above, offers a natural setting to also explore whether a strategic partnership or merger might benefit the institution. This could mean consolidating with a smaller institution (often, if imprecisely, described

as an acquisition) or a larger one (often described as being acquired). Simply discussing these options doesn't commit an institution to pursuing them, but it does help boards and leadership teams grow comfortable with the concept and better understand the tradeoffs involved.

4. **Embrace the "First-Mover" advantage:** The pressures facing higher education are being felt across nearly all institutions, with the exception of the very large ones (> 30,000 students).[86] Institutions that move early, while they still have a strong brand, healthy finances, and stable enrollment, tend to have greater negotiating power and more choice in potential partners.

5. **Share data and create urgency without fear:** Regularly sharing the state of the institution, including its challenges, with the broader campus community (faculty, staff, alumni, and students) can be a powerful tool for building shared understanding. It's a natural instinct for chief executives to want to lead with positive, reassuring messages, especially given how much campus morale depends on confidence in leadership. Yet pairing that optimism with candor about the challenges ahead may do even more to build the trust, comprehension, and shared urgency that campuses need in order to embrace major institutional change when it's called for.

6. **Recognize the need for different leadership skills:** As the saying goes, the leadership skills that got us here won't necessarily get us there.[87] Leading what we define as "Big Scary Change" (BSC), meaning mergers, consolidations, closures, and other major institutional restructuring, calls on a distinct set of capabilities.[88] We've identified seven essential elements: comfort managing significant change, uncertainty, and risk; providing all-inclusive operational envisioning; sensing and driving the pace of change (setting the drumbeat); prioritizing communication to create urgency and sell the vision; building BSC-oriented teams; leading from the front through direct engagement; and courage.

7. **Seek external expertise as needed:** Major institutional restructuring, including mergers and closures, is the kind of work that most leaders will only encounter once or twice in a career, so it's natural that even highly capable leaders may not have deep hands-on experience with it. These initiatives also tend to demand a significant, sustained time investment, which can be a real challenge for leaders who are simultaneously and effectively managing the day-to-day life of their institution. While every institution's situation is unique, this work is grounded in a set of common principles, and experts with experience in similar efforts can provide valuable guidance and perspective.

In conclusion, as a business sector, higher education is navigating a period of significant financial and operational change. Over the past decade, the sector has seen an unprecedented number of institutional closures and consolidations. At the heart of this shift is a fundamental change in demand for higher education services, one substantial enough that traditional approaches to future-state planning may no longer be sufficient on their own. Finding new answers will likely require a different set of assumptions and models, developed collaboratively across the sector.

To date, while the shift in demand is widely recognized, there remains a gap in the tools and information available for effective planning. Closing that gap matters because, without it, more institutions may struggle to find a sustainable path forward. And as the market continues toward consolidation, it's worth holding onto the idea that institutional mergers, restructuring, and even closures are not signs of failure. For many institutions, they may simply be the most viable way forward, in service of current and future students and the nation's continued economic competitiveness.

Appendix 1

The mindset of enrollment professionals in 2011

To obtain a qualitative assessment of the enrollment mindset in 2011, we interviewed 20 enrollment professionals who had responsibility for enrollment strategy at a college or university in 2011. The group was composed of individuals from a wide range of IHEs (R1 public flagships, public regional universities, larger private institutions, small private institutions, faith-based and secular) across the broader geography of the continental United States. The following observations were made.

The goal was growth: In 2011, the mindset of every enrollment leader was "growth." The recent economic downturn ("The Great Recession" of 2008) had boosted college enrollments, and they were working hard to capitalize on the greater interest in a college degree and to sustain the gains they were making.

At the time, large public institutions were not making substantive changes to their recruitment and retention strategies. They believed they were attractive enough to a broad enough group of students to be well positioned for growth.

Regional public institutions were trying to position themselves in the market. Many of them hoped to increase enrollment, which would help boost their efforts to enhance their prestige and to rise in national rankings (e.g., U.S. News & World Report) and to advance in the Carnegie classifications. They saw growth as a means of building a broader economic base.

Private institutions had always paid attention to enrollment management because they were typically very tuition-dependent. During this time, private institutions were assessing growth strategies. Like the regional public institutions, many were interested in building a broader financial base to support aspirational programs and to improve their standing in rankings and ratings.

In 2011, some graduate programs were interested in growing, but those goals were, as has historically been the case, more closely aligned with the economic needs of the institution's geographic area.

Only one professional we spoke with said that their institution was having an active discussion at that time on "How big should we be?"

Every leader indicated that they did not see many constraints on their growth at the time. They felt they could build out facilities, hire sufficient faculty, and handle the additional costs (a "build it and they will come" attitude) that came with increasing enrollment.

Limiting factors on growth were malleable: During this time, academic units argued that faculty FTEs were a limiting factor on enrollment. However, none of the interviewees indicated that institutions believed they could not adequately serve any class size they could recruit. Two of the individuals from private institutions expressed that there were discussions about how their distinctive mission and focus on small class sizes could be maintained in the face of larger enrollments. But senior executives and financial leadership were more than willing to provide resources for adjuncts and overloads to meet classroom needs.

In areas less suited to increased use of adjunct faculty (such as nursing), institutions created internal advising strategies to divert less-qualified students to other majors.

For the large publics and some of the regionals, the lack of a requirement to live on campus meant housing was not a constraint on growth. For publics and the privates who valued the on-campus experience, their institutions built additional housing, modernized old housing, or sought off-campus solutions to meet growing needs. A lack of housing was not a constraint on growth.

Enrollment management was professionalized: The cultural interest in big data was growing in 2011. Many of those interviewed indicated that part of their competitive strategy was to invest in their enrollment management infrastructure. That included building their internal data capabilities, partnering with consulting firms to buy mailing lists of potential students to improve their yield rates, staffing up to increase the number of touchpoints they might have with potential students, and creating more sophisticated marketing strategies, particularly related to social media.

There were some interesting discrepancies in reporting lines for institutional enrollment management units. Enrollment management reported to the provost in 50% of those institutions represented in our interviews. A few reported up through student affairs. About a quarter of those interviewed reported to the CFO, uniting enrollment revenue generation with the budget and finance function.

As enrollment management became more sophisticated, more conversations occurred about the type of student the institution should target. Three of the individuals interviewed indicated there was a systematic attempt to improve the quality of the entering class to enhance the prestige of the institution. The remainder of the interviewees indicated they would like to improve the quality of their entering classes, but that was a subordinate goal to greater quantity.

Other factors that helped incentivize the growth mindset: The growing implementation of the Responsibility Centered Management (RCM) budgeting strategy on campuses encouraged deans to prioritize growth, so they could fund new programs and initiatives.

Colleges and universities were highly motivated to sell themselves as economic growth engines for their regions following the economic downturn. This positioned them better for rebounding state funding, grants, and the recruitment marketplace.

In addition, as the public became more aware of rankings and ratings, institutions spent significant time, effort, and resources to improve their standing. In some cases, that pursuit led institutions to invest heavily in amenities, drive down class sizes, and significantly raise admissions standards.

The development of university marketing, particularly through social media, allowed institutions to reach more prospective students at a lower cost. While the data have persistently shown that students overwhelmingly attend college within 150 miles of their home[89,90] many institutions built robust regional, national, and even international recruiting infrastructures in their attempts to grow enrollment.

Enrollment declines were going to happen to others: As institutions contemplated growth, they were aware that a demographic cliff was coming. However, they did not see that as a limiting factor for their institutions per se. Instead, they took that as a challenge to make themselves as competitive in the marketplace as possible. In their mind, enrollment declines would happen at other institutions because their value proposition was sufficiently attractive to students. Large public IHEs felt they were well positioned to compete. In fact, many of those institutions had more students than they could actually handle.

Regional public institutions were competing against both the large publics and private institutions for students. To compete against large public institutions, they built broader-based academic programs, athletic programs, greater student activity offerings, and engaged in economic development work. To compete against private institutions, they attempted to maintain smaller class sizes, more extensive student support systems, residence halls, and other student amenities.

Private IHEs were more planful, working to grow while maintaining the mission and culture that made them distinct. That said, many of them joined the athletics and student amenities arms races, investing in more athletic facilities and student activity opportunities.

None of those interviewed believed that their institution would be unsuccessful in the competition for students. They believed in the work their college or school was doing and felt they could be successful in persuading students to enroll. Economists talk about the “optimism bias,”[91] which is the tendency for a person, group, or even a market to overestimate the chance of a positive outcome and underestimate the chance of a negative one.

Geography mattered. Individuals who were interviewed and who lived in states with booming populations (California, Georgia, New York, Texas) did not anticipate they would suffer an enrollment cliff. Individuals who were interviewed from the Midwest, the Pacific Northwest, and other regions extended the range of their recruiting areas in an effort to offset projected enrollment declines.

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