

The Great Financial Crisis' Impact on Higher Education

Will History Repeat Itself?

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The Great Financial Crisis (the “GFC”) had a dramatic impact on the state of higher education. Colleges and universities were forced to adjust to revenue shortfalls, endowment declines, budget cuts and shifts in enrollment. In this paper, we will explore what happened to higher education after the GFC and what insight that may provide for the current market environment. Understanding these trends can help colleges and universities better position themselves to tackle challenges lying ahead and build sustainable programs for the future.

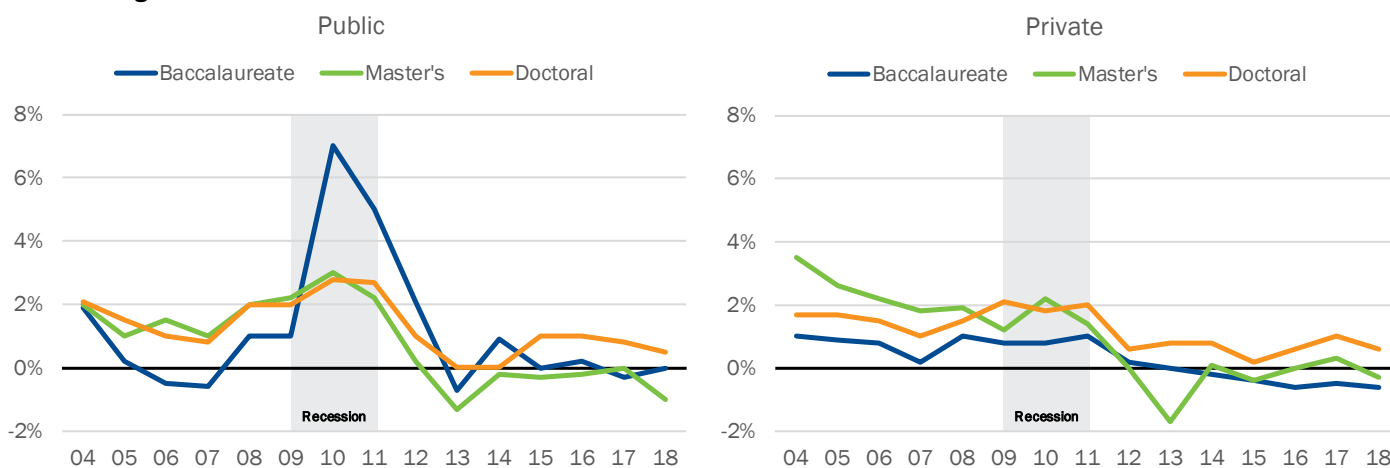
What Happened in Higher Education After the Great Financial Crisis?

The GFC had far-reaching effects on both the supply and demand sides of higher education. On the supply side, colleges and universities experienced cuts to state appropriations, charitable giving and endowment returns. Many endowments experienced drawdowns of 25-30% from their peak values. As a result, colleges and universities had to cut operating budgets and suspend capital expenditures. On the demand side, the economy’s downturn affected student enrollment, their ability to meet tuition payments and their academic pursuits on campus. Below we discuss the following trends and how they reshaped the state of higher education after the GFC:

1. Enrollment Increased

According to the National Student Clearinghouse Research Center, the number of students who enrolled in college increased by nearly 16% from 2007 to 2010. The demand for higher education typically runs contrary to the health of the economy. When the economy stalls, enrollment tends to rise as the unemployed go to school to improve their job prospects. In fact, college enrollment has increased in every recession since the 1960s.¹

Percent Change in Student Enrollment 2004 - 2018



Source: College and University Professional Association for Human Resources

The surge in post-recession enrollment is depicted in the charts above. Prior to 2007, student enrollment growth was down for nearly all types of institutions. From 2009-2011, enrollment spiked and then leveled off as the economy improved and tuition costs increased. It is interesting to note that this “spike” was most pronounced at public universities. As of 2018, enrollment growth for colleges and universities is largely flat.

¹ Parker, Clifton B. “The Great Recession Spurred Student Interest in Higher Education.” *Stanford News*, 6 Mar. 2015, news.stanford.edu/2015/03/06/higher-ed-hoxby-030615/. Accessed 28 Apr. 2020.