

Title: Higher Education Enrollment Trends During Recessions

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Policy makers have long recognized the intrinsic value of higher education and the institutions that provide these services. College and universities perform an essential role in the development of human capital and are important to new business development. Since these institutions tend to be geographically distributed across a state, they are often the largest or one of the largest employers in the region, and as such, are an important part of the human capital infra-structure.

Colleges and universities perform another significant role that is often not recognized. During periods of economic contraction, they help set the stage for the recovery of the human capital markets. Laid-off and/or under-employed workers will use a recession to enroll in college with the intent of acquiring new skills and credentials, or strengthening existing ones. The rationale is that when the economy rebounds, the worker will be able to secure a higher paying job, or that the newly acquired skills will insulate the worker from future layoffs. The purpose of my presentation is to explore this phenomenon through the history of college enrollments and recessions in New York.

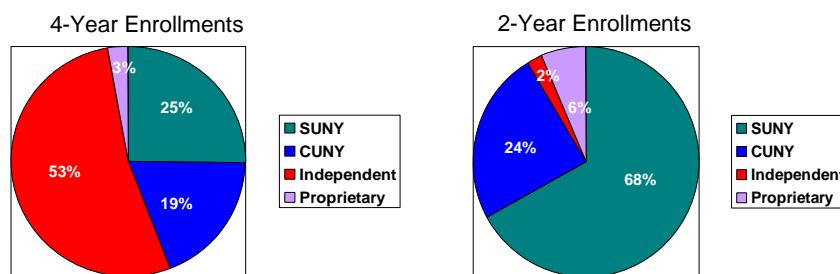
There are 270 higher education institutions registered with the State's Education Department (see Figure 1). New York is somewhat unique in the diversity of institutions in its higher education sector.

Figure 1: New York's Higher Education Sectors

SUNY	64	24%
CUNY	19	7%
Independent	148	55%
Proprietary	39	14%
Total	270	100%

In many states, the public institutions dominate the number of colleges and universities, but in New York, the independent (not for profit) and proprietary (for profit) colleges make up 69% of the sector. In fall 2008, 1.19 million students were enrolled in New York's colleges. Of this amount, 865.1 thousand students (72.4%) were enrolled in a 4-year institution and 329.7 thousand students (27.6%) in a two year.

Figure 2: Four- and Two-Year Enrollments by Type of Institution



We see marked differences in the governance base of these institutions (see Figure 2). For example, in the four-year sector, the independent and proprietary colleges and universities enrolled the majority of the students (56%). However, in the two-year sector, the public colleges dominate—enrolling 92% of the students. Of course, the differences between the two- and four-year sectors are a reflection of the strong private college tradition in the New York and the unique mission of the American community college.

New York's Economy History

Identifying periods of expansion and contraction in regional economies can be challenging. Many regional economies are quite diverse, making it difficult to refer to a single measure for a clear and timely indicator of economic activity. Complicating matters for New York is the fact that there are two distinct macro economies—one downstate and one upstate.

In late 1999, the Federal Reserve Bank of New York released a new comprehensive index of economic activity for New York and New Jersey. This index is patterned after the national coincident index (CI) and is published each

month for New York and New Jersey combined; and for each state separately; and for New York City alone.

The New York CI combines four economic indicators in a simple average similar to the national CI developed by the Commerce Department. The four indicators are: (1) non-farm payroll employment, (2) real earnings (wages and salaries), (3) the unemployment rate¹, and (4) average weekly hours worked in the manufacturing sector. The New York State CI is a perfect measure for identifying periods of expansion and contraction over an extended period.

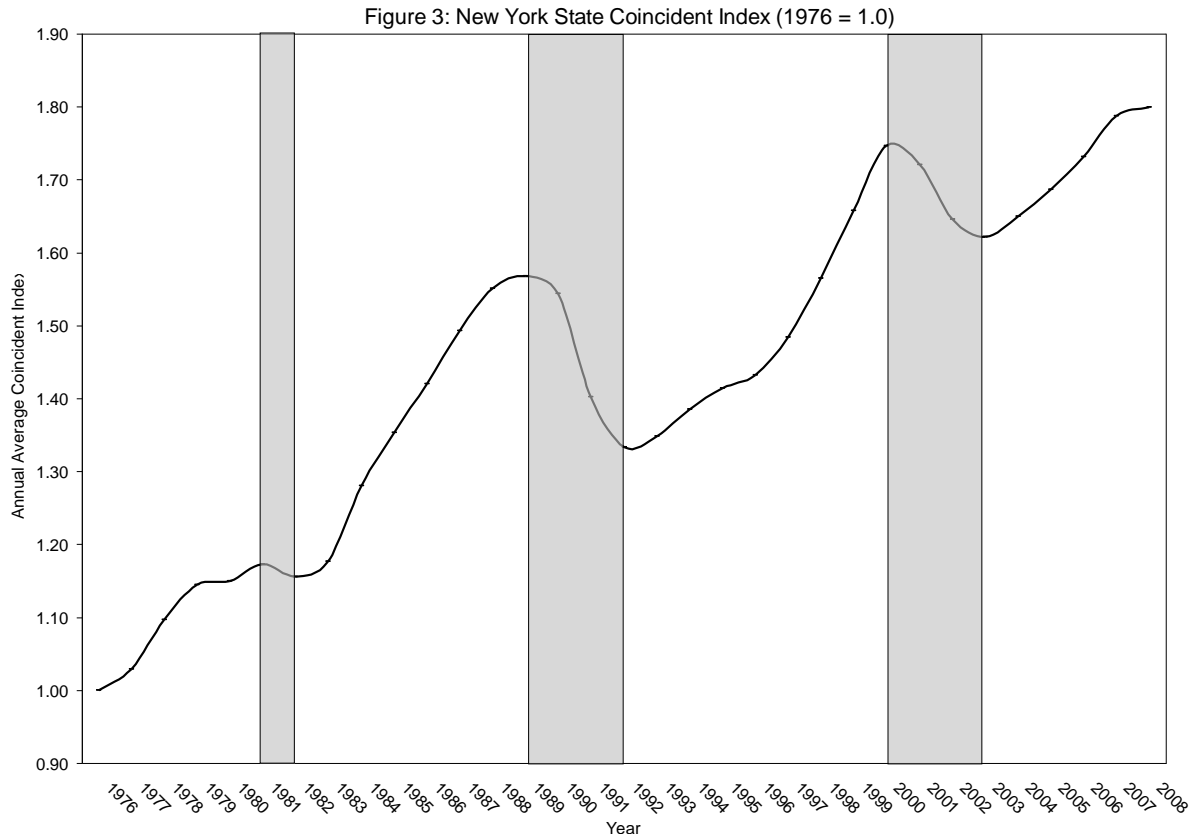
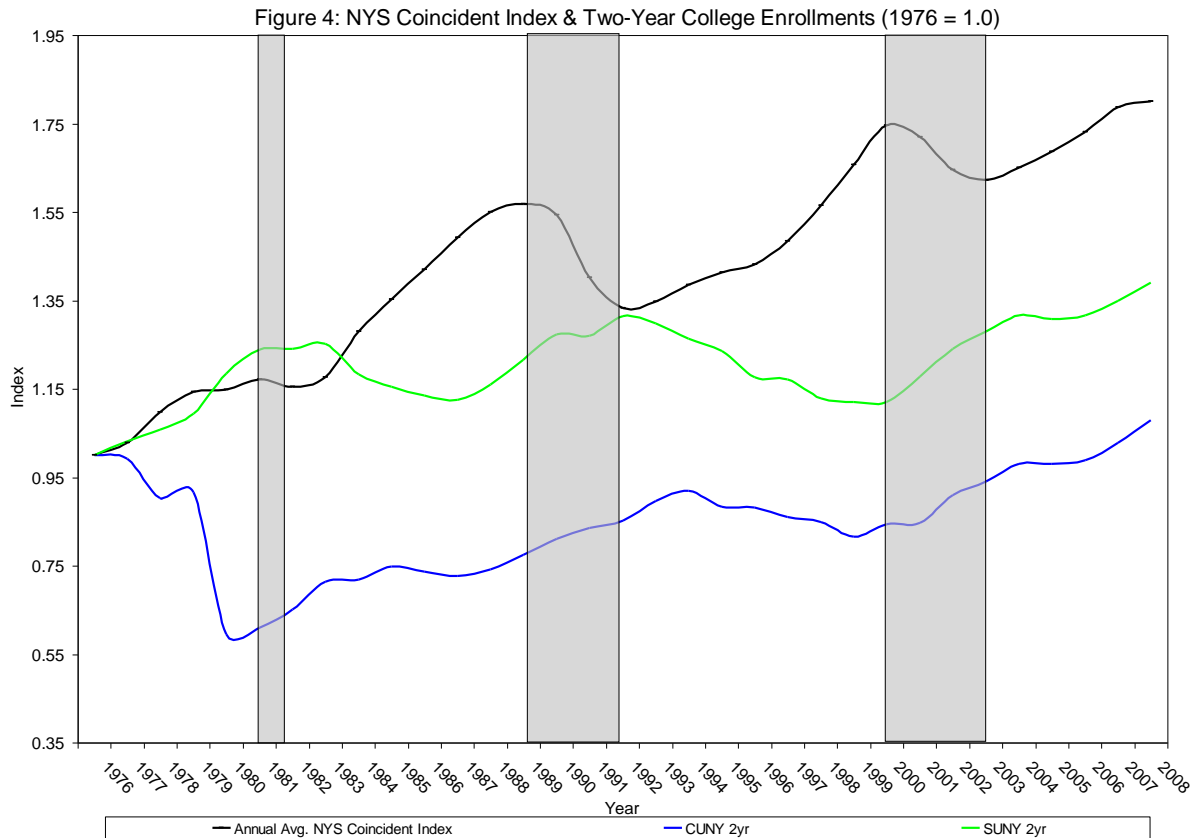


Figure 3 charts the average annual CI for New York using 1976 as the base year. In June 1976, New York was recovering from a recession that began in November 1973. From that point forward, New York has experienced three recessions excluding the current one. The first began in February 1980 and lasted until September 1981 (about 18 months). The second began in May 1989 and lasted until November 1992 (about 40 months). The last began in January 2001 and lasted until August 2003 (about 30 months).

New York's Higher Education Enrollment History

The next slides juxtapose changes in college enrollments over the same period with changes in economic activity. First, I will focus on enrollment changes in the two-year sector.

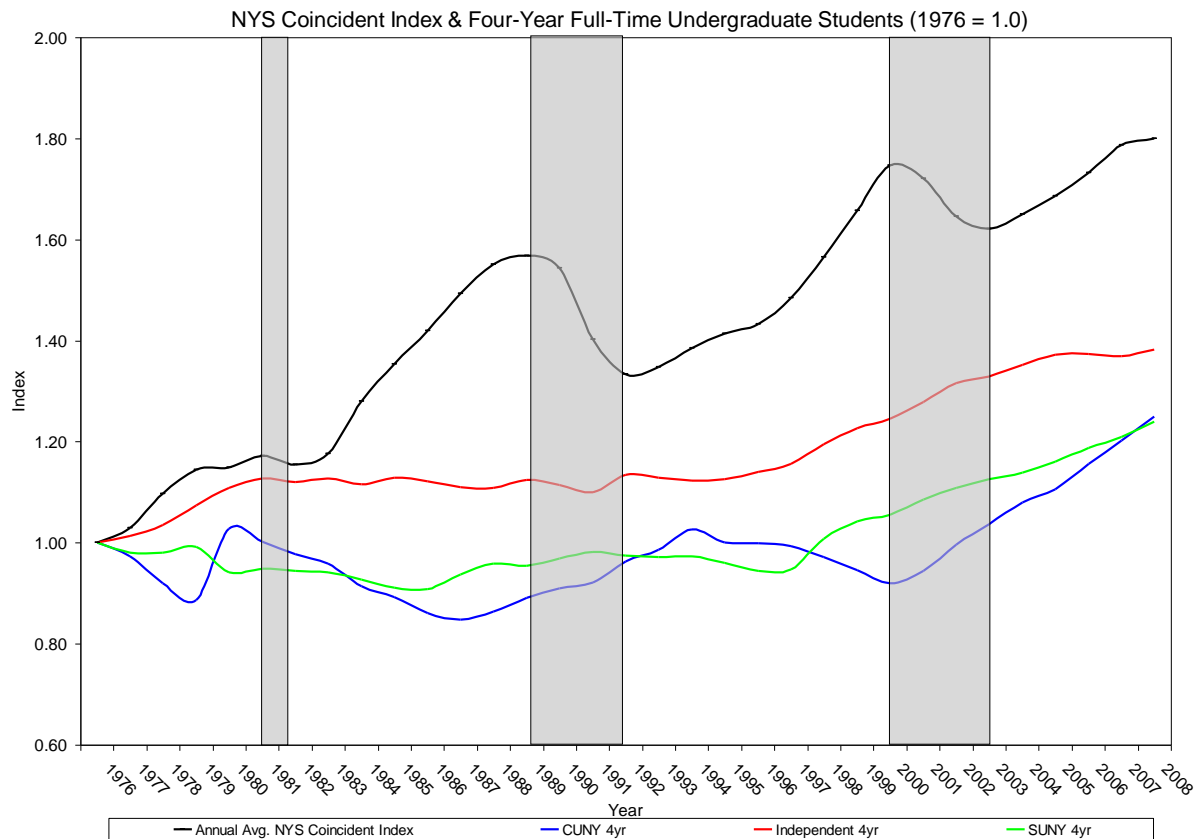
Two-Year Sector: As you can see from Figure 4, enrollments in the two-year sector have been quite sensitive to changes in economic contractions over the past thirty-two years. Enrollments at CUNY and SUNY increased strongly during each of the three recessions. These changes are observed with both full- and part-time students but more strongly with full-time.



You will note that I did not include independent and proprietary institutions in Figure 4. The reason is that these institutions account for 8% of the total enrollments in this sector. My concern is that the enrollment fluctuations at these institutions may be due to factors other than the ones I'm discussing today. Therefore, I excluded them from my analysis.

Four-Year Sector: Enrollments at four-year sector institutions are not nearly as sensitive to economic downturns as in the two year. Figure 5 highlights changes at these institutions over the past thirty-two years. You can see from this chart that enrollments were generally positive during the two most recent recessions, but not to the degree observed in the two-year sector.

Figure 5

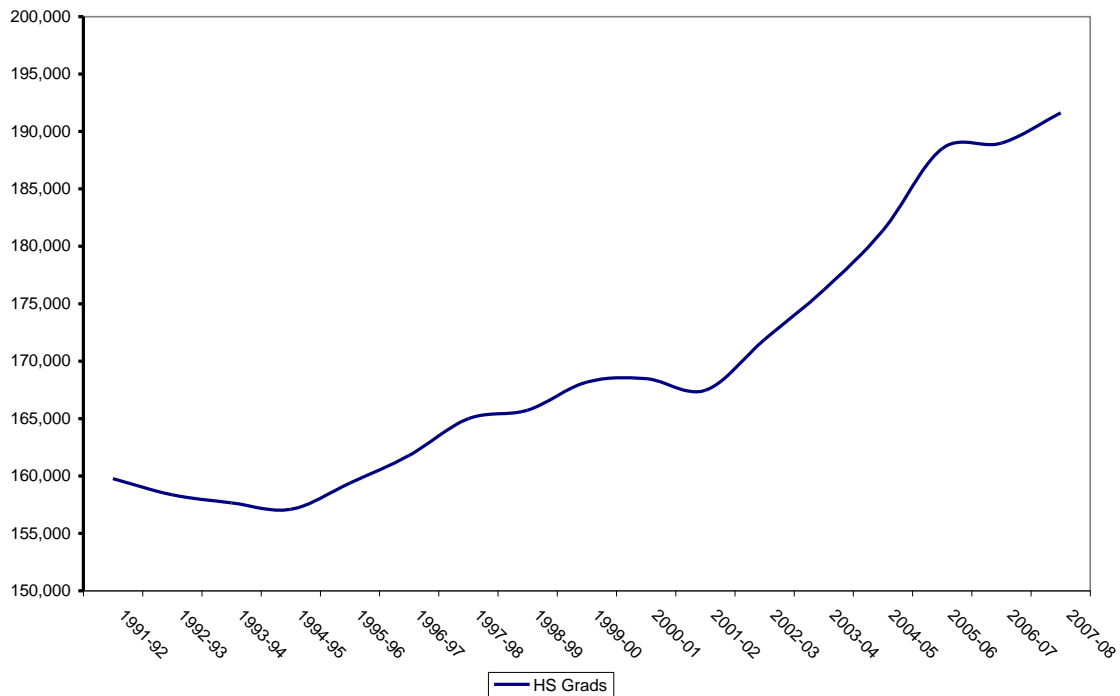


A factor contributing to enrollment increases in both sectors was that beginning in 1995-1996 high school graduates started increasing due to the State's demographics (see Figure 6). From 1999-2000 to 2002-2003, the period of the recession, high school graduates increased by about 3,700. This increase certainly influenced the growth we observed in full-time enrollments over this period.

Still, there is an interesting interplay between changes in full- and part-time students during recessions. Figure 7 charts changes in part-time enrollments in the four-year sector, highlighting a decline in these students that goes back to the early 1980's for public institutions, and 1976 for the independent colleges. But the decline seems more pronounced during the recessions, particularly in the public sector. At the same time, there were increases in full-time enrollments at these institutions (see Figure 8).

I have already noted that much of the growth in full-time enrollments would have been caused by increases in high school graduates. However, there could also be a shift from part-time to full-time that is more pronounced during a recession. In other words, laid-off workers, who had previously been attending part-time, may switch to full-time during a recession.

Figure 6: New York State High School Graduate, 1991-92 to 2007-08

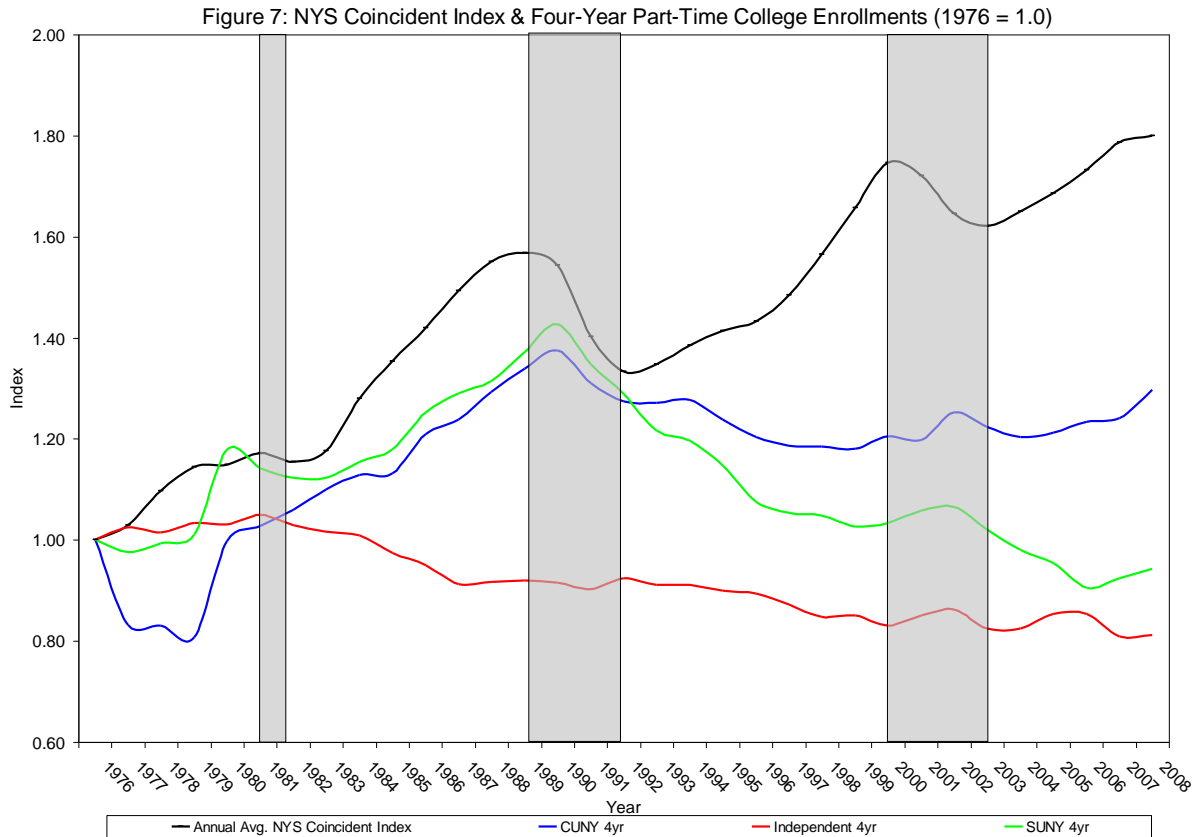


You will note in my analysis of the four-year sector that I excluded the proprietary four-year institutions on Figures 5, 7 and 8. Since these institutions only account for 2% of the total enrollment in this sector, the fluctuations observed could be the result of factors other than the ones I'm discussing.

Policy Implications

Enrollments in higher education are influenced by market and demographic factors present in society and the economy. My presentation today is cursory; however, I do believe there is an important relationship between human capital markets and college attendance during economic downturns. Workers use the recession to prepare for the recovery by acquiring new skills or strengthening existing ones.

Two-Year Sector: It makes sense to me that the relationships observed are more clearly seen in the two-year sector. Community colleges are less expensive for students to attend, and for a laid-off worker with a family to support, that's important. Also, the academic programs offered at these institutions are of shorter duration and tend to be better aligned with the human capital needs of the local economy. Given that the recessions extended from 18 to 40 months, it is more likely that a two-year credential could be completed during a recession than one requiring four years.

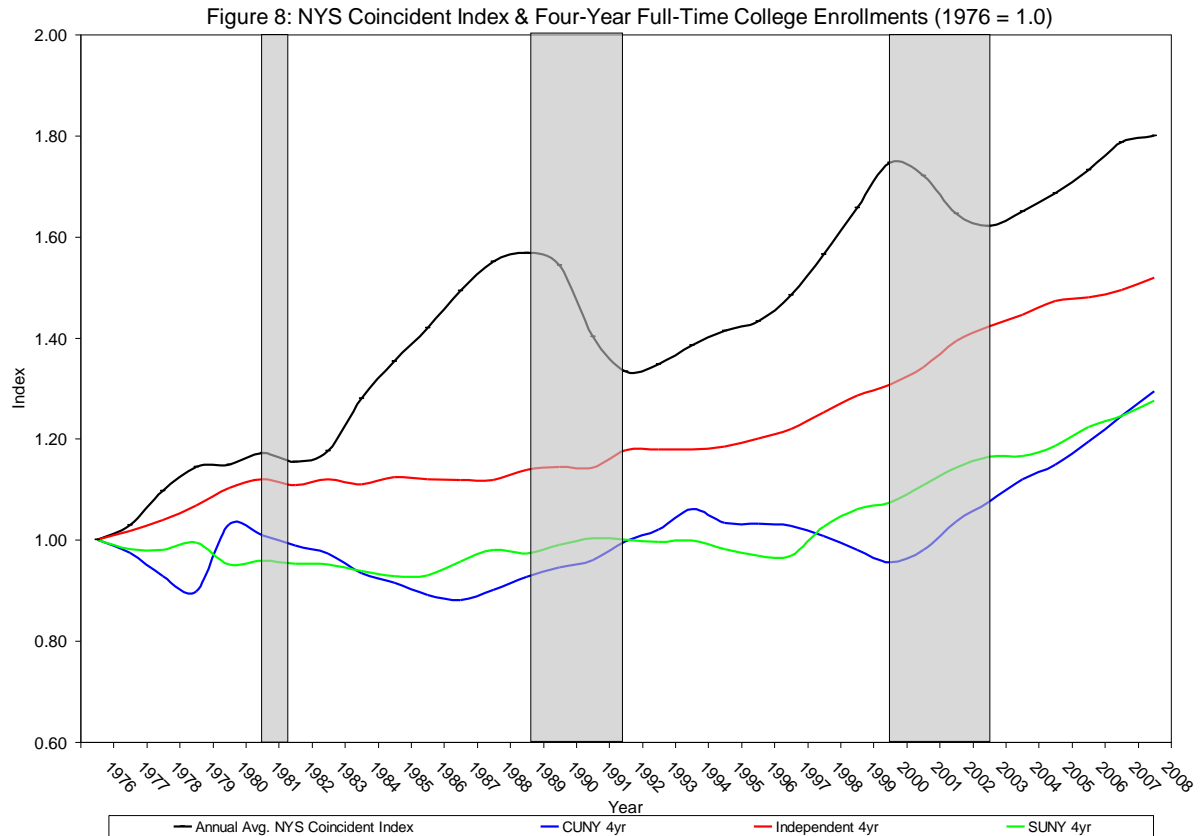


Also, I would be remiss if I did not mention the apparent contribution of the State’s policy of supporting community colleges. New York’s support of these institutions is based on an enrollment formula. In other words, during each recession, New York’s community colleges collected more tuition and state support due as a result of the enrollment growth. While local support may lag, state support and tuition revenues were probably sufficient to cover the marginal costs of the increased enrollment, or at least, minimize the negative impact of the recession on the institution. Clearly, this is good policy and serves the State’s human capital needs well, provided of course, that the State does not cut the rate of support.

Four-Year Sector. My findings in the four-year sector are more obscure. These institutions are more costly to attend, so it makes sense that a laid-off worker would choose a community college over a four-year institution. The exception would be if the academic program was only offered at a four-year institution.

New York does not fund its public four-year institutions in the same way as the community colleges. Therefore, they do not necessarily receive additional state support when enrollments increase. In fact, state support usually declines during a recession along with the State’s tax revenues. There is no incentive for

these institutions to grow during a recession. Indeed, most four-year public colleges managing enrollment growth very carefully during these periods. Unless there is unused capacity, the added tuition revenue usually does not exceed the marginal costs of serving the additional students.



In my opinion, during economic downturns, the State’s policy for supporting public four-year institutions does not serve the human capital markets as well as its policy of support for public two-year institutions. New York has great capacity in its four-year sector but does not use this capacity to help workers exploit the opportunities that are always present during the recovery. It will be interesting to see if this trend continues in the current recession.

This concludes my presentation today. Are there any questions?

End Note

¹The unemployment rate in New York City is excluded in the calculation due to changes in cyclical behavior. Some researchers have observed that changes in welfare regulations in mid-1990 resulted in a surge of new entrants into the workforce which changed the relationship between this measure and other measures of economic activity for the New York City.

