REFORMING AMERICAN HIGHER EDUCATION:

Implications for a Vibrant Work Force and a Healthy Democracy

BY CHARLES KOLB

The forces of globalization are finally hitting American postsecondary education. For nearly three decades, since the 1983 publication of *A Nation At Risk* launched a sustained focus on our mediocre, if not failing, K-12 system, American postsecondary education has avoided the accountability spotlight. Our postsecondary policy debates have focused mostly on input problems such as access, the cost of the federal student-loan program, the value of the Pell grant, and diversity. Issues such as graduation rates, the quality of learning, and cost-effectiveness were rarely addressed: Everyone simply assumed that America had the best postsecondary education system in the world.

This is not the case anymore. At a time when postsecondary education attainment is seen as increasingly vital to the economy's future growth and productivity and the nation's global competitiveness, America no longer leads the world in the percentage of our population with college degrees. We have gone from first to ninth among developed nations in the 33-member Organization for Economic Cooperation and Development. The problem is not so much that we are falling behind as that other nations are catching up and pulling ahead.

We also know that only about half of the full-time students who begin college complete it within six years. In community colleges, fewer than one-fifth finish their program in two years. Among minority students, the dropout rate is substantially higher: Only a quarter of those who begin finish. The cost in wasted resources, lost time, and shattered dreams is staggering.

These alarming signs have prompted the Obama administration to call for increasing the postsecondary attainment rate for 25- to 34-year-olds to 60 percent by 2020. Several major private foundations have responded by launching their own college-completion goals. The Bill and Melinda Gates Foundation is supporting efforts to double the number of degrees and certificates awarded to low-income young adults, and the Lumina Foundation wants to increase the proportion of 25-to-64-year-olds with high-quality degrees and credentials to 60 percent by 2025. Several non-profit organizations have also joined this effort to lift the level of educational attainment.

These concerns are now attracting serious attention not just from policymakers and foundations: America's business leaders not only worry about the obvious workforce implications of a populace that is undereducated for the demands of the current century—they are also concerned about how that failure will affect our democracy.

So the nearly 70-year-old business-led Committee for Economic Development—which helped design the Marshall Plan and has been deeply involved in early education and K-12 reform policy—will soon convene a subcommittee to consider postsecondary education reforms. CED's recommendations will be directed at American business leaders in an effort to enlist them as advocates for those reforms.

As CED launches its work—to be co-chaired by Jeff Joerres, the CEO of ManpowerGroup, and Bruce MacLaury, the former president of the Brookings Institution—it is painfully evident that our problems go beyond a slippage in our global standing regarding attainment rates. We have also

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learned that our high school graduates are often underprepared for college-level work, and both our universities and businesses have had to devote scarce resources to correct the academic shortcomings—often in basic skills—that should have been addressed by our K-12 system. Perhaps the most shocking evidence of the schools' failure was a December 2010 report by the Education Trust stating that nearly a quarter of the high school graduates who took the Army's entrance exam flunked it. The exam included tough questions along the lines of: "2 plus x equals 4; what is x?"

That our high schools are conferring diplomas on far-from-competent young people has serious implications for American postsecondary education. A new book by "Professor X," *In the Basement of the Ivory Tower*, discusses the challenges presented by college students who use their postsecondary experience to progress from a 6th- to a 10th-grade achievement level. Are we really doing these students a favor?

Our graduation goals are extremely important; they represent a critical challenge for the entire nation, including the private, governmental, and not-for-profit sectors. At the same time, we also know from our experience with the No Child Left Behind Act in K-12 education that achievement goals can readily be met by lowering standards and dumbing down tests, as demonstrated by the high school graduates who cannot pass the Army's entrance exam.

So in addition to improving attainment levels, it is important that the country have an extensive discussion about what it is we want our young people to learn as a result of their experience in college. Our K-12 sector has been undergoing a similar discussion for many years in the context of the debate around measurement, standards, and assessment. We need a similar focus when it comes to American postsecondary education.

One thing we do know: What students should know and be able to do in 2011 will be significantly different than 20—or even 10—years ago. The world has changed; our society's needs are different; and technology has transformed virtually every aspect of the postsecondary landscape, as well as the workforce.

Moreover, today's postsecondary-education sector in no way looks like it did in 1944, when the GI Bill transformed it, or even in 1965, when the first Higher Education Act was passed. The community-college sector has grown rapidly, and technology is enabling new entrants to challenge the business model of the four-year schools in ways that were unheard of ten years ago.

We are now beginning to see serious efforts to question the cost-effectiveness of American postsecondary education. While the labor-market implications of the 2007-2009 Great Recession account for this trend in part, there are three other factors that are also driving concerns about productivity and efficiency: increasing costs, competition, and technology.

George Washington University was the first American university to charge $50,000 in combined tuition, room, and board. While not all students pay the full charge, of course, and GW represents the high end of the market, the broader point is that the average cost of postsecondary education in America has risen far faster than inflation.

From 1990 to 2009, college tuition and fees increased 274.7 percent—more than health care (up 245 percent for hospital services, nursing homes, and adult day care) and the Consumer Price Index (up a mere 71 percent). These escalating and unsustainable costs are driving more people to ask questions about what that $50,000 is buying. In my view, this is a good development—a critical first step in finding new ways to enhance productivity, innovation, and efficiency throughout the postsecondary sector.

Competition is now both domestic and international. At home, the traditional two-year community colleges and four-year public and private colleges and universities are being challenged by nontraditional actors in both the not-for-profit and for-profit sectors: DeVry, Kaplan, Phoenix, and Western Governors University are perhaps the most well known of the new providers. These institutions are calling into question existing assumptions, delivery systems, and business models in ways that will have a major impact on traditional schools.

A new paper by the Center for American Progress (www.americanprogress) and the Innosight Institute (www.innosight institute), *Disrupting College: How Disruptive Innovation Can Deliver Quality and Affordability in Postsecondary Education,* discusses the ways in which "disruptive innovation," primarily the technology of online learning, can be used to enhance both quality and affordability in postsecondary education. "Disrupting College" cautions that "degree attainment" should not be seen as the "sole measure of success." This important report emphasizes that what matters most is not the credential but rather what people can actually do:

> Degrees are a proxy for skill attainment, but they are far from a perfect one, as seen in the amount of retraining that employers do, as well as in the current unemployment figures. Real outcomes and real mastery—as often shown in work portfolios for example—are more important.

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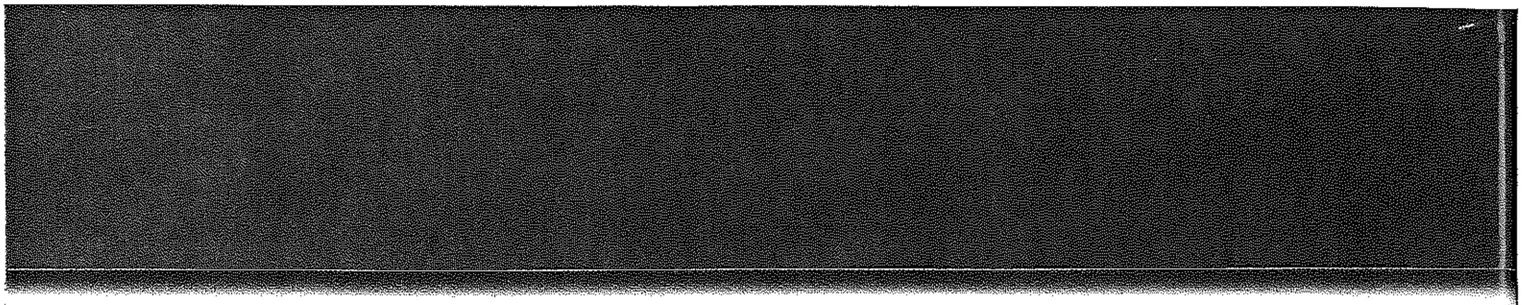

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Also emerging is the concept of "global higher education," described in detail by Ben Wildavsky in *The Great Brain Race: How Global Universities Are Reshaping the World.* Universities in China, India, the Middle East, and Europe aspire to become competitive with the top-tier American research universities. This leads to a growing global market for talented faculty and promising students, what Wildavsky describes as "a new kind of free trade: free trade in minds." Again, this trend shows no signs of abating, and countries are beginning to worry about the loss of their top academic and research talent to foreign competition.

In November 2010, for example, the Paris-based Institut Montaigne issued a report on the possibility of a French "brain drain" (*Gone for Good? Partis pour de bon? Les expatriés de l'enseignement supérieur français aux Etats-Unis,* by Ioanna Kohler). While the Institut Montaigne's principal concern was about the "diaspora académique française aux Etats-unis," or French academic talent migrating to the United States (in large measure because of higher compensation and more advantageous working conditions, especially in the lab-based sciences), Americans should not assume that future talent will always flow in our direction.

And finally, the issues raised by the IT revolution extend far beyond the obvious policy and delivery questions associated with distance learning. Changes in information technology—spurred by the ongoing "openness" revolution—are revolutionizing research (through digitalization), content availability (through online learning), and administration (through rethinking bricks-and-mortar approaches to facilities, fundraising plans, and faculty appointments). Some of these trends are discussed in a 2009 report by CED's Digital Connections Council, *Harnessing Openness to Improve Research, Teaching, and Learning in Higher Education.*

In that report, CED noted that the openness revolution will drive universities to reassess their relations with numerous stakeholder communities at home and abroad. As this discussion continues and deepens, it is vital that the American business community in particular play a role in shaping the outcome, for several reasons.

First, virtually all American business leaders have experienced American postsecondary education in one form or another. They have been "consumers," and many of them sit on the governing boards of their alma maters. Second, there is self-interest: most business leaders care about the quality of the workforce, a factor that touches directly their overall profitability. Third—and perhaps most importantly—business leaders tend to be impatient. They want results, are not afraid of change, and can help those less familiar with the dynamics of productivity and innovation welcome change rather than fear it.

In January 2011, McKinsey & Company issued an important study on postsecondary productivity and efficiency (*Winning by Degrees: The Strategies of Highly Productive Higher Education Institutions*) that touched on many of the issues discussed here. The report emphasized that for the US to have the number of skilled workers it needs for a vibrant economy, we will need to produce one million more college graduates between now and 2020. This figure represents a 40 percent increase over today's graduation rates.

Given that significant increases in public funding are unlikely, McKinsey is positing that there will need to be a 23 percent improvement in higher education productivity by 2020 to reach this goal. Clearly, existing practices and business models will have to change. The American business community is well positioned to be an ally of our postsecondary institutions as they make the needed reforms.

The emerging debate about how to reform American postsecondary education comes at a critical time for the US economy. Unemployment remains unacceptably high. The ongoing forces of global competition call for higher skill levels among American workers and the development of new skills in those whose previous jobs have been eliminated.

In addition to the obvious labor-force needs, having more Americans with higher levels of postsecondary achievement is vital to our civic health. The heart of a vibrant democracy is educated, engaged citizens who are able to make choices for themselves, their families, their communities, and their country. In this respect, the success of American postsecondary education is critical to the success of American democracy.