The Futures Project: Policy for Higher Education in a Changing World
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Concept Paper

THE TRANSFORMATION
OF
AMERICAN HIGHER EDUCATION

Higher education in this country is in a period of change and turbulence that is likely to bring about substantial transformation of the system of higher education and, for many students, the nature of "going to college." As is true of most periods of profound change, there is both opportunity and danger. There is opportunity to address the problems that have kept higher education from responding effectively to a number of society's needs. There is a danger that in a period of unplanned but sweeping change, many of the fundamental values of higher education could be eroded.

A number of converging forces are serving as a catalyst for change. These include: changing demographics, including a growing demand for more advanced skills for essentially all of the workforce; rapid growth of technology; and the advent of new providers of higher education services (both for-profit and nonprofit, new institutions as well as established institutions taking on new roles). The traditional institutions of higher education—the nonprofit public and private colleges and universities—are vulnerable to these forces of change because, in some critical dimensions, they are out of sync with societal needs. In particular, they are out of step with regard to costs, quality assurance, the connection to elementary and secondary education (especially teacher education and professional development), and serving older, working students.

The basic higher education policy structure that has been in place for a long time is a state-based system of governance of public colleges and universities, complemented by free standing private colleges and universities chartered by the states. In addition, the federal government provides funding—and regulation—in particular areas. Since the end of World War II, when higher education enrollment was approximately 50% public and 50% private, the public sector has grown until it now represents 80% of the enrollment. The state operates this sector as a cartel. It establishes the institutions' roles and funds, regulates and protects each institution. The actions of the public institutions reinforce the cartel. The private colleges and universities are largely free to pursue their own interests, aided by some state and federal support, but the state maintains the important power of determining whether a private institution should be allowed to grant degrees in the state.

Today, this cartel management is changing under the assault of the forces noted above. Technology and "virtual" courses are changing how learning takes place. New institutions, as well as the entrepreneurial response of existing institutions, are moving higher education from a system of state-based cartels to at least a partial open market. More and more

institutions are crossing state, and even national boundaries. The current system of governance is not prepared to create and manage a market; most institutions are not prepared for the new competition. Given these changes, states must develop entirely new modes of providing for higher education. A preliminary review of state policies indicates that almost all are built on the assumption of the cartel system and do not serve to create and manage an intelligent, responsive "market" for higher education. With all the changes taking place, states need to develop this capacity.

Colleges and universities are just awakening to the dangers inherent in this new world. A growing number have begun to recognize and react to the opportunities it presents. The shared governance of the campus, the powerful hold of tradition and strong student demand for entrance, however, make it hard for institutions to begin to plan seriously for their futures. Colleges and universities need to be part of an ongoing debate about what is happening and what needs to happen to make higher education more responsive to today's needs.

Thoughtful planning for a different future requires a joint effort on the part of political and academic leaders. There is, however, no tradition and no regular mechanism for mutual engagement. What interchange exists, most often focuses on the need for resources and the protection of each institution's turf.

The following factors make planning for a changed future a difficult task:

- The structure and traditions of higher education make change difficult.
- Universities and colleges have the will and capacity to resist state pressure to change.
- Political leaders are well aware of the institutional capacity to resist change and are reluctant to tangle with higher education.
- Times are good for universities and colleges—budgets are better, applications strong—making denial easy.
- Not much is known at the state level about effective policies to create a market.

It is important to remember that the task ahead is not to create a pressure strong enough to force change. Change is coming whether the institutions want it or not. Rather, the task is to help states steer the process so that effective, thoughtful change occurs.

There is a need to develop new policies that hold promise for a more market-oriented, more mixed ("virtual" and traditional, for-profit and nonprofit), more performance-oriented higher education system. Because there are few examples, particularly at the state level, of policies that have created an effective market in higher education, it will be essential to examine the experience in other areas and fields in the search for successful models. There are some federal policies in higher education—the peer review grant system in research, the decision to fund student aid, the Fund for the Improvement of Post-Secondary Education—that can be examined for clues. Still, the most likely examples will come from other fields, such as health care and communications.

Continuity Through Evolution
Over the last century, there has been huge growth in the scale, functions and centrality of higher education in American society. The share of each age group enrolling in higher education at the traditional college age has grown phenomenally, as noted below:

1900 – 2%
1940 – 10%
1950 – 20% (after the GI Bill)
1975 – 50% (after the huge growth of public higher education)

Since 1975, the share of each age group entering higher education soon after high school has remained relatively stable, but the stream of older, working students attending higher education has grown into a broad river, as large as the number of traditional-age students.

Within this broad evolution, however, there has been a remarkable continuity of five basic assumptions about what a college or university is—five pillars on which all of our traditional institutions are based:

- Scarce faculty collected together to lead the learning.
- A library as the central learning resource.
- A selective student body chosen on the basis of students' anticipated role in society.
- The campus as the place of learning.
- The classroom, where learning takes place primarily through face-to-face contact with a faculty member.

Each of these elements steadily has been broadened and democratized as society's needs for higher education have changed, but they remain basic assumptions. Now, the new forces challenge each of these assumptions, and there are a growing number of learning opportunities where not one of these assumptions applies.

THE NEW FORCES

Demographics
Demographic shifts are forcing change. First, the dividing line as to middle-class or poor—i.e., the access to and retention of good jobs—increasingly depends on participation in higher education. The result is a growing demand for access supported by political leaders who see the importance of greater job skills to the economic health of their communities.

Second, the improvement of minority success in elementary and secondary education (better grades, test scores and graduation rates), means more minority students are seeking higher education as the pathway to success.

Third, with the growth in overall employment, sizeable numbers of workers find themselves with their first real opportunity to have better jobs, but they need new skills to get and keep these jobs.

Fourth, the tremendous workplace changes mean employees (even those with bachelors or advanced degrees) are returning periodically to develop new skills.

Beyond these changes, the growth of the traditional college population means the total number of students is likely to rise significantly. This wave of students will complicate, as well as possibly ease, transformation of the higher education system. One result of this increase is an expanding array of students, with differing modes of learning that require differing approaches to pedagogy and forms of support. This increase will accelerate the demand for change. At the same time, however, the plentiful numbers of applicants for admission are likely to encourage many institutions to put off facing the need to change.

Technology
Technology is changing the time, place, content and mode of learning. The computer and the Internet have led to a new world of virtual courses and even virtual institutions. But computers and the Internet also have begun to change the mode of learning in traditional class settings. Ahead are more and more mixtures—courses that are part virtual, part traditional; part Internet-based, part face-to-face.

Ahead, as well, are far more profound changes in how learning takes place based on new uses of technology—already demonstrated in the military, in industry and increasingly in elementary and secondary education. Simulation, streaming video, and computerized assessments, are only the beginning. As yet, the potential of the computer to create more powerful and more efficient modes of learning is still in the primitive stage.

New Providers
New providers of higher education are proliferating, such as the following:

- New for-profit firms at the core of the academic process.
- New consortia established by states and state agencies.
- New consortia established by groups of institutions.
- Existing colleges and universities reaching out beyond their traditional geographic area.
- Franchising of traditional universities' programs by for profit firms.

For-profit firms have been active in higher education for a long time. They, however, have been confined to the margins—contractors for food services or bookstores, or institutions such as barbers' colleges or truck drivers' schools. The new activities are penetrating to the core of the academic process, offering degrees that compete with the traditional universities or helping traditional universities and colleges design courses—or even major degree programs—for the Internet.

Each of these forces is not only powerful in its own right, but also interactive with the others. For example, new providers tend to be more entrepreneurial and, therefore, more aggressive in their use of technology. Since the new providers are not limited geographically, competition from the new providers has begun to cause traditional universities and colleges to adopt technology more rapidly and look at ways to provide education at a distance.

BARRIERS TO CHANGE

Current Policies That Inhibit Change

The present policies that govern higher education (most notably state, but also some federal policies) have developed over a long period. They are focused on the traditional campus as the center of higher education and have the following characteristics:

- *Current policies are focused on boundaries*. Boundaries of time, geography, roles and programs. These boundaries are basically policies of restraint of trade. With the exception of rare experiments, states do not provide funding based on performance. For example, seat time (the time a student spends in class) generally is used as the basis of institutional funding rather than any measure of student learning.

- *Quality is largely assumed*. Seat time is used as the basis of quality as well. The assumption is that there is integrity to the students' involvement, from the freshman year to the senior year, that class work and student activities lead to intellectual and social growth. But seat time makes less and less sense when learning takes place in all sorts of settings, when students are enrolled in both traditional and online classes at the same time.

- *Institutional role is designated*. For public institutions, the states have assumed the responsibility to provide the resources and other support necessary for survival and success. The state assigns different roles to each institution to ensure effective allocation of resources, often through the use of program review or sometimes through the uses of clear state policy as in the California Master Plan. This remains a difficult and contentious area, as political pressure rather than competitive ability settles issues of turf. But when more and more institutions compete across state boundaries and traditional areas, current policies of program review and institutional roles make little sense.

- *Traditional policies leave little room for investment strategies*. Many of the new providers of higher education have created more effective and efficient approaches by investing up-front funding in the team development of courses, often using advanced technology (e.g., the Open University or the University of Phoenix). Current state funding approaches have no provision for such efforts.

- *Many policies depend on whether the student is a state resident*. The issue of out-of-state students already is complicated and will become more so as higher education changes. States charge students who come to the state to attend, advantaging their public institutions through such mechanisms as out-of-state tuition. State leaders assume the out-of-state student will contribute to the economy, add to the quality of the institution and join the state's workforce. How will policies regarding out-of-state students apply to the University of Wisconsin or Pennsylvania State University, as they gear up to provide virtual courses across the country?

- *Current state policies assume public institutions principally serve the state.* As more state institutions operate across state boundaries and even across the world, how will policy reflect a particular state's interest? How should state policy treat the University of Nebraska, which has proposed to create a national for-profit subsidiary for virtual coursework?

Lack of Focus on Learning Outcomes
To date, higher education has few measures of student learning and few means of determining the outcomes of the education process. While few institutions have managed to develop skillful and successful learning outcome measures, none of these measures has found its way into widespread use across the academy. Considerable resistance abounds to the idea of measuring on a continuing basis, what students are learning.

How can the student, the institution and the public be assured of quality in a world that is moving away from seat time as a measure of quality? In a world in which learning takes place under many circumstances, with students combining work from multiple institutions, how can quality be defined and assured? How can we ensure students learn the essential skills necessary for today's workforce and citizenship? Could the concepts developed in states across the country to set standards and assess performance against those standards in elementary and secondary education be adapted to higher education? Should they be? Is some sort of national assessment of skills and knowledge needed?

Policymakers' Perceptions of Their Role
The perceptions policymakers have of their role will make the shift toward a more market- and performance-oriented system of higher education difficult. Legislators, governors and state governing boards have formed the habit of governing higher education by regulations and helping each institution protect its turf. Leaders of each campus, when they feel their campus is threatened, rush to the statehouse to seek protection, which the statehouse generally has been inclined to provide. Even while doing so, however, policymakers increasingly are frustrated with higher education's reluctance to change.

How can policymakers develop the skill and self-restraint to move away from a regulatory and protective mode toward the process of creating a working and effective market? How can policymakers accept the role of managing a system of learning resources provided by many sources? Most policymakers still do not realize many existing policies that inhibit the very changes they seek are a result of their own actions. The institutions and their faculties, in many ways, are doing just what current policies reward them for. If policymakers do not recognize this, policy could become even less helpful and more inhibiting of change as the frustration with the lack of response from higher education leads to more coercive efforts.

Danger of Losing Critical Attributes of Higher Education
Given the difficulty in creating new approaches to policy and the current interest in market forces, policymakers may accept uncritically the use of market forces to address all their problems. By themselves, these forces often fail to meet public priorities, such as the assurance of quality, emphasis on the broader values of liberal education rather than just

narrow job skills, or the provision of social mobility and equity. Market forces tend to serve private interests more than public interests. For example, in a world of unchecked market forces, technology will likely increase the gap between the "haves" and "have nots."

Skilled policies using market forces are essential. But how can policymakers ensure the many essential characteristics of higher education—its civic engagement, scholarship, the application of research knowledge to the problems of society and the enhancement of civic culture—not only are maintained but also are enhanced? How can these forces encourage institutions to play those critical roles in society that often are overlooked?

Lack of Public Understanding of the Need for Change
Another barrier to effective change is the fact that the broader public is largely unaware of the powerful forces reshaping higher education. Recent polls show the public, particularly parents, is focused on two main issues: Will there be adequate access to higher education? Will the growing cost of higher education prevent students from enrolling or completing their college education? Increasingly, as well, both students and the broader public have been focused on the importance of gaining a degree rather than on the necessary intellectual skills and knowledge. The experience of the elementary and secondary education reform movement has demonstrated how critical it is for the public to be an understanding partner, supporting change and improvement. How can the public better understand what is happening and what should happen in higher education?

Ineffectiveness in Meeting Societal Needs
Institutions' internal governance and states' policy framework and modes of policy formation have failed to address some of the more critical policy issues facing higher education. Higher education has been ineffective in addressing cost and productivity, the need for better ways of assuring quality and the need to encourage a focus on teaching and new forms of pedagogy.

Universities and colleges have little incentive for continuous improvement except as it relates to traditional measures of prestige, to their effectiveness at research or to their prowess at athletics, all arenas where the institutions actually compete with one another. How can policies be reshaped to ensure they are more effective than existing policies in dealing with these stubborn issues?

THE LIKELY SHAPE OF HIGHER EDUCATION'S NEW STRUCTURE

If the process of change in higher education, pressed by these new forces, continues in the general direction it is headed; if academic and political leaders work together to help steer the process of change into constructive channels; and if care is taken to ensure the changes do not undercut essential characteristics of higher education, the United States could be headed for a different and more effective system. Such a system of higher education might be:

- More focused on the learner and less on the institution.
- More dependent on measures of competency than seat time.
- More focused on effective pedagogy, with imaginative use of technology to enhance this focus.
- More mixed (public/private, private/nonprofit, virtual/traditional).
- More dependent on market forces (new suppliers, old institutions doing new things, old boundaries obliterated).
- More responsive to societal needs as increased competitive pressures force institutions to address long-standing issues, such as cost and productivity, the assurance of quality and focus on learners' needs.

Certainly, none of this is assured. There are critical questions as to how rapidly change will take place, how change will occur, which institutions are vulnerable to the new competition and which are unlikely to feel much pressure. In interviews, many representatives of the new providers indicate their intent is to focus on the older, part-time, working student, which may lead some traditional institutions to believe they are shielded from change. More likely, the changes will affect all aspects of higher education and institutions.

Even as new providers focus on older, working students, there will be pressure for change on the institutions focused on traditional students. The experience so far indicates that when quality virtual courses become available, some on-campus, traditional students choose to take part of their program online. Will this force colleges and universities to address how learner-focused they are, or to address the issues of cost and productivity? Competitive pressures also will likely encourage the spread of new uses of technology in classrooms and new modes of pedagogy.

The tendency is to think in polar terms, in black or white—e.g., virtual verses traditional courses, or team preparation of courses versus preparation by a single faculty member who then teaches the course. The early evidence is that there is likely to be a lot of gray—e.g., classes that are part virtual, part face-to-face; teams who work with individual faculty members on course preparation; national courses with local tailoring; institutions that are hybrids of the old and the new. Is there likely to be a mixed system for a while—part cartel and part in-state, part national? If so, what policies can successfully deal with such a system? A hard issue is the degree to which institutions will be realigned. Will most vulnerable institutions change, merge, disappear or simply limp along? Which institutions will be the most affected?

Change is coming. How do we create thoughtful change?