Introduction. Welcome to Eduventures’ first Adult Higher Education Consumer analysis. Over the years, Eduventures has produced many studies on prospective adult students, but the time is right for a new approach. Adult student enrollment has reached record levels, but a swirl of demographic, market and regulatory developments point to a new era in terms of maturity, scrutiny and innovation in this space. This new era demands better, more consistent data and analysis on the evolving views, needs and experiences of current and prospective adults students, as well as those of U.S. adults who see no potential in going to school.

The Adult Higher Education Consumer series is designed to be focused, original and easy-to-read. Its goal is to build a longitudinal dataset to help colleges and universities better understand the evolution of market fundamentals over time. Where appropriate, reports will make comparisons with historical Eduventures data. Our commentary will identify and analyze opportunities and challenges in the adult higher education market, to keep you and your institution abreast of emerging trends and to drive strategic decision-making informed by unique data and longstanding partnership with a broad range of higher education institutions.

About the First Report. In May 2012, Eduventures conducted its regular Adult Higher Education Consumer Preferences survey, drawing insight from a nationally representative sample of 1,500 U.S. adults aged 18-70. The survey posed a range of questions, including interest in going to school and perceived barriers, appetite by credential, field of study, school type and delivery mode, and exposure to school marketing. The survey also asked about adult interest in MOOCs (Massive Open Online Courses), one example of innovation in adult higher education. These results serve as the foundation for our analysis here.

This report is divided into two sections:
- Section 1: Key Features of the Adult Higher Education Market in 2012
- Section 2: Understanding the Future of Adult Higher Education

Eduventures clients are encouraged to get in touch to discuss school-specific implications and gain more detail on the survey data and how the findings might affect their strategic planning and decision-making. Our next Adult Higher Education Consumer commentary will focus on international students and markets.
Section 1: Key Features of the Adult Higher Education Market in 2012

In 2012, U.S. adult higher education confronts five striking trends:

Trend #1 - Massive Growth in Adult Participation in Higher Education. Between 1991 and 2011, the 25-44 year old population in the United States grew only 1%, but adult enrollment in both undergraduate and graduate enrollment grew by well over 50%. Adults confronted a shifting job landscape that favored higher education, and a growing number of schools rolled out dedicated programming, services and marketing to this audience. In particular, for-profit schools and online programs targeted adults in innovative ways at scale.

Source: IPEDS, U.S. Census and Eduventures analysis

Noncredit enrollment data, both inside and outside higher education, is typically patchy, but there is no evidence of an increase in adult participation in noncredit comparable to the undergraduate and graduate boom described above.

Fig. 1  Adults Want Higher Education

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<tbody>
<tr>
<td>51%</td>
<td>64%</td>
<td>1%</td>
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Trend #2 - The Core U.S. Adult Population has been Flat for Years, but is now Growing Again. Over the past 20 years, as 25-44 year old demographics stagnated, high school graduate numbers boomed. This meant, despite massive growth in adult enrollment, in 2009 adults actually represented a smaller proportion of all enrollments compared to 1991. Today, however, the high school graduate boom is over, and that demographic tailwind is now benefiting the 25-44 year old adult higher education sweet spot. This is good news for schools with a focus on adult learners, but also means that schools dependent on traditional age enrollment will experience tougher competition, and will therefore need to pay greater attention to the recruitment of older students.
Trend #3- Adult Enrollment Coming to a Halt? Early data suggests that in 2011, for the first time in fifteen years, U.S. higher education enrollment overall actually declined, albeit by less than one percent. Adult enrollment is not immune to this slowdown. After more than a decade of strong growth in adult enrollment in higher education, growth has slowed markedly. Most of the leading schools focused on adults have reported modest growth or enrollment declines. Mainstream universities and colleges are paying more attention to adults, but these schools overall also report limited growth.

Figure 3 shows leading for-profit and online schools, which have dominated adult enrollment growth over the past decade, posting low single digit annual growth between 2010 and 2011, in contrast to much higher figures in years past. This reflects a sustained weak economy, which has turned cyclical the conventional countercyclical character of higher education and the challenge of additional growth after years of strong performance. New regulation is also a factor, in particular the federal “Program Integrity” rules that have brought new oversight to recruiter compensation, cross-border delivery and the credit hour, among other things. Considerable uncertainty remains over the future of the Gainful Employment regulation, partially thrown out recently by a federal court, which requires a heightened level of reporting by for-profit schools in particular. “Program Integrity” rose from federal concern that rapid growth in nontraditional students was not always matched by quality learning outcomes and credential attainment.

Mainstream nonprofit schools, stressed by weak public and endowment funding, and conscious of the demographic turn away from traditional age students, are launching ever more online and other adult-centric programs. The growth cited in Figure 3 is quite healthy by historical standards for this sector. This is added pressure on for-profit schools, but also risks excessive supply in an otherwise poor enrollment environment.
Trend #4 - Big Enrollment Growth Goals. Both the federal government and others have set ambitious higher education attainment goals for the nation. The well-known “Big Goal 2025” from the Lumina Foundation calls for 60% of Americans to attain “high quality degrees and credentials” by 2025, up from about 40% today. The Obama Administration is committed to the United States returning the top of the international league rankings for the proportion of the population to graduate college, and has also called for all Americans to undertake at least one year of postsecondary education - both goals targeted for 2020. All these goals cite a growing proportion of jobs that require postsecondary education, as well as increased educational attainment in other countries. Increased adult attainment is viewed as central to goal achievement, targeting the large “some college, no degree” population (approximately 20% or more of adults).

These goals are widely viewed as challenging, and there is concern that standard school models may prove insufficient. The Lumina Foundation, the Gates Foundation and others are spending millions of dollars in support of school innovation to help spur increased higher education attainment. Recent years have also seen a surge in private equity funding going to education start-ups, including ventures that dispense with conventional features of higher education, such as degrees, credit, faculty/student interaction and financial aid. Examples of innovative start-ups include New Charter University, Udacity and Minerva. There are also efforts that involve non-standard offerings from conventional schools, such as MIT and Harvard’s EdX.

Figure 4 emphasizes how challenging it will be to achieve this “Big Goal 2025.” Shown is the number of years it took the U.S. to achieve 10% (300 years) and 40% (61 years) educational attainment at Associate’s degree level and above among adults aged 25 or older. Up to 1950, the nation added one percentage point in degree attainment among the adult population every 30 years. Between 1950 and 2011, the one percentage point was added every two years. To hit the Lumina “Big Goal 2025,” the nation will have to add one percentage point every eight months, that is, add 20 percentage points in only fourteen years!
So, in summary, in 2012, the adult higher education situation is as follows:

- **Massive Growth.** The past twenty years saw massive expansion in adult enrollment, far beyond demographic growth, driven by innovative schools and delivery modes, such as for-profit institutions and online learning
- **Recent Slowdown.** The past year has seen a dramatic slowdown in adult enrollment growth as schools face a sustained weak economy and a high base of participation
- **Favorable Demographics.** Adult demographics, notably the 25-44 year old sweet spot for higher education enrollment, were flat during this high growth period, but will return to positive territory over the next decade
- **Regulatory Complexity.** New federal and other regulation, focused on improving quality and raising attainment among adult students, pushes schools in the right general direction but adds operational complexity to an already challenging environment
- **Heightened Competition.** Many more “traditional” schools are paying attention to adult students, seeking to offset the end of the demographic boom in high school graduates and state/endowment funding stress. This makes the market more competitive, and risks over-supply of programming
- **More Growth Wanted.** Further big increases in higher education attainment among adults, using innovative delivery methods, are central to major federal and foundation targets over the next decade, tied to the socio-economic health of the country
- **Alternative Solutions.** Frictions around higher education cost, quality and attainment have spurred a contemporary surge in education start-ups seeking novel ways to increase attainment but also enhance quality and reduce cost

So the key question, for schools and policymakers, is will the adult higher education market continue to grow strongly in the coming years, or is further innovation needed to sustain growth long-term?
Section 2: Understanding the Future of Adult Higher Education

In this section, Eduventures makes three key claims about the future of adult higher education:

- **Claim #1. Adults want Higher Education but see more Barriers than Solutions.** The results of Eduventures’ Adult Higher Education Consumer Preferences survey and our longstanding and ongoing work with institutions active in this sector indicate that most adult consumers are interested in school but still perceive insurmountable cost and time barriers, and are insufficiently impressed by contemporary innovations, such as online learning.

- **Claim #2. America’s Record on Educational Attainment is better than Assumed.** Conventional wisdom on U.S. educational attainment is wrong; contrary to the OECD analysis, today’s generation of young adults has achieved much higher levels of educational attainment than generations past; and the U.S. labor force is already quite close to the Lumina Foundation’s “60% attainment of high quality degrees and credentials”—54% as early as 2009.

- **Claim #3. The Problem is Quality, less Quantity.** While a steady increase in educational attainment among adults is desirable, the fundamental challenge for adult higher education in the United States is quality of attainment, not quantity. Federal and academic forecasts for the next decade show a modest increase in jobs that require postsecondary education. The United States is not facing a radically transformed economy ten years hence, but an already transformed economy compared to decades past, with educational attainment, quality more than quantity, struggling to keep pace.

This section discusses these claims in more detail, and makes recommendations for universities and colleges on how to thrive in the adult higher education market of the future.
Claim #1. Adults want Higher Education but see more Barriers than Solutions
Eduventures’ 2012 Adult Higher Education Consumer Preferences survey of a representative sample of U.S. adults aged 18-70 found limited anticipation of going or returning to school, but strong underlying interest.

**Fig. 5 Majority of Adults Interested in School but many see no Possibility**

Source: Eduventures’ Adult Higher Education Consumer Preferences survey of 1,500 U.S. adults. The sample is c.75% aged 25+

It is important to note that, in reality, 33% of U.S. adults do not actually go or return to school over any three-year period. In any one year, less than 5% of U.S. adults aged 25-64 are enrolled in higher education. Therefore, the true ratio of adults “interested” in higher education but dissuaded from enrollment for various reasons is much higher than the 44% shown here.

What are the barriers that adults perceive concerning going or returning to school? The two major barriers are cost and time. Fifty-five percent of adults who do anticipate going to school in the next three years cite reduced tuition as their most desired higher education reform, and 30% of non-prospects cite cost as a barrier. In smaller numbers, non-prospects also cite confusion over financial aid, childcare and work responsibilities, and debt aversion as barriers.

In one sense, reference to cost and time barriers are not surprising – higher education is expensive and time-consuming. However, after fifteen years of online higher education and the rise of new kinds of for-profit higher education institutions, all designed to reduce barriers to adults, the persistence of cost and time barriers is telling. Online and for-profit higher education are innovative in many ways, and have increased access to higher education, but have not clearly reduced cost of delivery for schools or tuition for students, and concentrate on degree programs that build in significant time commitments for students.

As shown in Figure 6, one sign that contemporary online higher education has reached a value ceiling is the lack of movement over time in adult preference for wholly/majority online study.
Figure 6 shows that while wholly/majority online study has characterized a growing proportion of adult students in higher education over time, adult preference for online delivery has remained flat. The good news is that there is still a significant gap between preference and participation. The bad news is that the gap is shrinking, and cautions that unless online delivery develops a broader value proposition, long-term growth may prove elusive. A related statistic is the lack of movement over time in adult consumer perceptions of the quality of online higher education compared to conventional arrangements. The ratio of adults citing online as equal to campus or “it depends” on individual cases, was stuck at 58% from 2006-2009, then jumped slightly to 62% in 2010 and did not budge in 2012. In Eduventures’ view, there is a connection between sustained adult concern about cost and time barriers in higher education, and the lack of momentum over time in adult preference for online delivery, and perceptions of online quality. To date, online higher education has addressed fundamental cost and time barriers only partially.

It is interesting to note that while only 7% of adults view online delivery as superior to campus, this is up from 1% in 2006. Both ratios are low in absolute terms, and reiterate that to date online higher education fundamentally embodied convenience rather than broader value-add, but the improved ratio may be an encouraging sign that online sophistication is increasing. Growing consumer familiarity with online learning, sophisticated or otherwise, may also be a factor.

One irony of adult concern about cost and time barriers is that adult prospective students are conservative when it comes to their higher education goals. Eighty-three percent of prospects in Eduventures 2012 Adult Higher Education Consumer Preferences survey want to pursue a degree program. Only 10% prioritize a certificate, just 3% want to take single credit course, and only 5% desire noncredit offerings in a higher education setting. Equally, prospects want conventional fields of study, skewed towards major career fields like Business, Healthcare and Education. In terms of both credentials...
and fields of study, Eduventures’ Adult Higher Education Consumer Preferences surveys reveal significant stability over time.

This tension between cost/time barriers in higher education and consumer’s conservative higher education goals introduces the recent phenomenon of various higher education alternatives. Start-ups such as Udacity, New Charter University and EdX, in different ways, seek to tackle the cost/time barrier head-on through free or inexpensive programming, and course-sized offerings. The vision is to leverage top quality content across very large numbers of learners using mastery-based assessments and minimal faculty contact. The 2012 Adult Higher Education Consumer Preferences survey asked adults about their interest in these kinds of free or inexpensive online courses (see Figure 7).

**Fig. 7** Adults Intrigued by Free/Inexpensive Online Courses, MOOCs, etc

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Currently Enrolled</td>
<td>2%</td>
</tr>
<tr>
<td>Enrolled in the Past</td>
<td>12%</td>
</tr>
<tr>
<td>Never Enrolled but Interested</td>
<td>18%</td>
</tr>
<tr>
<td>Never Enrolled, Not Interested</td>
<td>68%</td>
</tr>
</tbody>
</table>

Source: Eduventures’ Adult Higher Education Consumer Preferences survey of 1,500 U.S. adults

Figure 7 emphasizes basic adult interest in alternative forms of higher education but, not surprisingly, little experience to date. Among consumers who have taken a free/inexpensive online course, motives are mixed, ranging from the mundane- supplementing conventional study and personal interest- to the more radical, such as seeking a cheap alternative route to academic credit or certification. The challenge for MOOCs and similar innovations, if the goal is to supplant conventional schools and credentials, is consumer conservatism about such matters. Adults are convinced of the value of degrees, yet inhibited by the cost/time barriers such credentials impose. MOOCs and related innovative approaches offer cost/time solutions but not conventional credentials.

Eduventures’ 2012 Adult Higher Education Consumer Preferences survey found that about two-thirds of adults reported no noncredit formal education or training in the past twelve months, whether required by an employer or for personal interest. The mere existence of short, inexpensive education and training opportunities is no guarantee of mass participation. The publicity, branding and funding currently associated with MOOCs and related innovations is a cut above the average noncredit offering, and various credential, credit and employer-facing MOOC-style supplements are in the works. However,
these alternative solutions still have work to do to convince consumers that these cost/time innovations come with value comparable to degrees.

Claim #2. America’s Record on Educational Attainment is better than Assumed
In recent years, the United States has been caught up in a controversy about educational attainment, alleging that the country is falling behind others on this metric, and that today’s young adults are no more educated than the previous generation or two. This controversy prompted the Lumina Foundation to develop “Big Goal 2025” to increase educational attainment among adults to 60%, up from about 40% today, and prompted the Obama administration to set a goal to put the country back on top of educational attainment ranking internationally by 2020, and have all U.S. adults take part in at least one year of postsecondary education, also by 2020. Based on these aspirations, the United States has a lot of work to do.

Eduventures agrees that a more educated America makes sense, and does not dispute the country’s slide down the international league rankings. A relatively high birth and immigration rate, and a below average educational attainment among immigrants, make it challenging for the U.S., compared to many other wealthy nations with more static demographics, to increase educational attainment rates, but international competition is real nonetheless. What Eduventures does dispute is the claim that the nation has not increased educational attainment over the past forty years, and takes issue with conventional wisdom about the United States’ educational attainment baseline today.

In 2008, the Organization for Economic Cooperation and Development (OECD), an international organization comprised of the most developed countries, released its latest Education at a Glance publication, range a wide of education indicators from member and other countries. Table A1.3a showed higher education attainment by age group in 2006. The report noted that 25-34 year olds in the United States had almost the same level of higher education attainment as 55-64 year olds- 39% and 38% respectively. By contrast, most other profiled countries showed much higher attainment at the younger age group compared to the older one. This led to a conclusion that America had not grown higher education attainment over time.

It is certainly true, based on OECD data, that the United States has slipped in the international rankings in terms of educational attainment among 25-34 year olds. Among 55-64 year olds, the United States ranks first among OECD nations in 2009 (latest source year), but 15th at the younger age. But Eduventures argues that it is a mistake to say that the United States has not improved education attainment over time.

Using U.S. Census data, as shown in Figure 8, it is clear that when today’s 55-64 year olds were 25-34, their educational attainment was significantly below the figure cited by OECD. Census data is only reported each decade, and in longitudinal data delineates Bachelor’s plus attainment only (compared to the OECD’s focus on Associate’s plus attainment). If one takes 1980, when today’s 55-64 year olds were 25-34, Bachelor’s plus attainment was only c.23%, compared to a 2009 figure for broadly the same group of people of 32%. This shows significant growth in educational attainment over time. So, in fact, current attainment among 25-34 year olds is a stronger performance than in the past. The fact that 25-34 year olds and 55-64 years olds in America have almost identical attainment means that the former will post a higher rate by the time they reach 55-64 years of age, just as today’s older adults did between the ages of 25-34 and 55-64. With the additional attention to adults over the past decade, and now with many nonprofit universities and colleges interested in the adult market, the gains realized by today’s 25-34 year olds may be even greater than those secured by today’s 55-64 year olds.
This improvement in educational attainment following the 25-34 year age group is testament to the United States’ unusually developed adult higher education system. While in many countries higher education is almost exclusively for traditional age students, for decades the United States has encouraged older adults to participate. Indeed, the past fifteen years saw a surge of programming aimed at adults, notably online and for-profit higher education, the full impact of which has yet to show up in OECD figures. The fact that older U.S. adults have been able to go or return to higher education later in life is an immense strategic advantage for the United States, diversifying programming and giving adults considerable flexibility on when and how to study.

The fact that the United States is falling behind other countries in the proportion of young adults with higher education attainment is a worrying trend, but the country has the advantage of a mature adult higher education system able to close the gap over time.

The other matter Eduventures would like to address in this section is the current distribution of educational attainment in America. As discussed above, the Lumina Foundation’s “Big Goal 2025” uses as its foundation U.S. adult higher education attainment of about 40% today. “Higher education attainment” is defined as attainment of an Associate’s degree or higher. Yet “Big Goal 2025” targets 60% U.S. adult attainment of “high quality degrees and credentials.” There appears to be little clarity from Lumina as to the “and credentials” part. Non-degree higher education attainment, such as certificates, is not captured in mainstream Census data, which forms the basis for Lumina’s 40% starting point.

In 2012, the Georgetown Center for Education and the Workforce released its report, Certificates: Gateway to Gainful Employment and College Degrees. The focus is certificates awarded by colleges and universities, and not “certifications” awarded by various industry bodies. The report used SIPP (Survey of Income and Program Participation) data from the U.S. Census Bureau to estimate certificate attainment in the national population. SIPP surveys a large sample of U.S. households to better understand various
aspects of workforce, education and government program participation. SIPP reveals that 12% of the workforce has a certificate as their highest form of education. This effectively halves the size of the “some college, no degree” population, which in the main Census data appears as large as 25% of American adults. Many in the “some college, no degree” category in fact have a credential, in the form of a certificate.

Based on the latest SIPP data (2009), 54% of the U.S. labor force has either a certificate or a degree- (see Figure 9).

**Fig. 9 Certificate Attainment is Significant**

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Proportion</th>
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<tbody>
<tr>
<td>Graduate Degree</td>
<td>11%</td>
</tr>
<tr>
<td>Bachelor’s Degree</td>
<td>21%</td>
</tr>
<tr>
<td>Associate’s Degree</td>
<td>10%</td>
</tr>
<tr>
<td>Certificate</td>
<td>12%</td>
</tr>
<tr>
<td>Some College, No Degree</td>
<td>14%</td>
</tr>
<tr>
<td>High School Diploma/GED</td>
<td>24%</td>
</tr>
<tr>
<td>No High School Diploma</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Certificates report (2012) from the Georgetown Center for Education and the Workforce, based on SIPP data. Proportions refer to the U.S. labor force in 2009

This total of 54% is within striking distance of Lumina’s “Big Goal 2025” of 60% attainment. It should be pointed out that Lumina’s target concerns the U.S. adult population as a whole, not just the workforce. Even if this caveat reduces the combined ratio somewhat, the addition of certificates still provides a fresh perspective on both the volume and nature of higher education attainment in the United States. Certificates are less-well-understood, compared to degrees. For instance, as the Georgetown report notes, the wage premium of certificates varies considerably by occupation. However, the median wage premium for a certificate holder over a high school graduate is 19%.

Eduventures’ objective here is to highlight the synergy between certificates as shorter, cheaper, career-focused higher education credentials and the current hype about MOOCs and related innovations that constitute a similar attempt to foster shorter, cheaper, hands-on degree alternatives. Conventional certificates have been poorly tracked, and often lack status, which has contributed to their under-appreciation in the educational attainment discussion. MOOCs currently enjoy considerable publicity, and are associated with some top education and individual brands, but should learn from the certificate experience.
**Claim #3. The Problem is Quality, less Quantity**

In 2012, after fifteen years of considerable online and for-profit activity devoted to adult learners, built on a century of continuing education and extension work at universities and colleges nationwide, it is difficult to conclude that America’s adult higher education system is under-developed. Today, there is no shortage of institutions in the market, plenty of choice by field of study and credential, and an array of flexible delivery options. Further enrollment growth is desirable, new program areas will still emerge at the margins, and for some schools attention to adults is novel, but in Eduventures’ view the focus must now turn from quantity to quality.

Trying to judge the quality of American higher education, particularly adult higher education, is very difficult. There is no single, objective measure available that applies to all schools and graduates. In terms of adult higher education, what is known is as follows:

1) **No Data.** There is no federal data on graduation rates or completion numbers by student age. Very few institutions analyze or publish this kind of information.

2) **Weak Benchmarks.** The performance baseline—such as the national graduation rate for full-time, first-time Bachelor’s-seeking students is around 57% over six years. What can be gleaned from selected state-level data on graduation by age and other non-traditional characteristics suggests that non-traditional undergraduates tend to perform at lower levels than their full-time, first-time peers. See College Complete America’s *Time is the Enemy* report (2011) for further details.

3) **Unmet Demand.** The college wage premium, at 80%+ for a Bachelor’s degree-holder over a high school graduate, higher today than any time since 1915, suggests more demand than supply for higher education graduates (Goldin & Katz). Eduventures argues that a portion of this premium reflects limited graduate quality as well as quantity, with employers offering a premium in search of quality but sometimes settling for quantity. When put alongside critiques such as *Academically Adrift*, Richard Arun’s study showing very limited educational progression during college, it is difficult to conclude that the very high college wage premium concerns a graduate quantity problem alone.

4) **Regulation.** The federal “Program Integrity” rules, largely in place from July 2011, are a response, however questionable in detail, to concern that the boom in adult, online and for-profit enrollment is not matched by sufficient return on investment for students and the taxpayer.

5) **Accreditation.** Rare recent evidence from one major adult, online, for-profit institution, Ashford University, suggests that the adult higher education enterprise may exhibit a variety of shortcomings. Denial of initial accreditation to Ashford by WASC (Western Association of Schools and Colleges, a regional accreditor), and the unusual publication of the commission’s report, laid bare a host of concerns about lack of academic rigor, overly mechanistic pedagogy and assessment, excessive spend on marketing, thin management experience, limited support...
staff, insufficient full-time faculty, inadequate disaggregation of student performance, and very high student attrition. Ashford may be an extreme case, in terms of scale and pace of enrollment growth, and is sincere in its efforts to fulfill its mission as a large, open access university, but its challenges are not unique to one institution. The fundamentals of Ashford’s model are replicated across the for-profit sector and color elements of much nonprofit adult higher education activity.

The United States is not facing a radically transformed economy in the next decade. The Georgetown Center’s Help Wanted: Projections of Jobs and Education Requirements Through 2018, using a methodology that has proven more accurate than past federal forecasts, predicts a shift from c.59% of U.S. jobs in 2007 requiring postsecondary education to 63% in 2018. The underlying trend of more demand for higher education is not in doubt, but it is difficult to conclude that a four percentage point shift in the ratio is dramatic. The real question is whether today’s front-loaded, degree-centric higher education system, with high dropout rates, soaring tuition and concerns about the quality of student learning, can produce sophisticated graduates in sufficient volume today, never mind at a much higher rate in the future.

The current degree-centric higher education system embodies high standards, enjoys considerable social status, offers graduates a significant wage premium, and is a valuable sorting device for employers. However, at scale and for broader socio-economic purposes, the model appears suboptimal; costs are too high and value is too modest or ambiguous. The frictions outlined in this report, as adult higher education has tried to scale, reflect this tension.

In order to thrive in the adult higher education market of the future, universities and colleges need to focus on one or more of reduced cost both to the institution and the student, a pedagogically enhanced student experience and a reward system that prioritizes student learning and credential completion. Eduventures see three options for universities and colleges with an interest in adult learners:

**Option 1 - Status Quo.** This option is degree-centric, uses localized/mediocre curricula, online-centric/transactional pedagogy, promises strong student outcomes but does little to measure them beyond conventional classroom assessments, and sustains high student attrition (50%+). Students are often employed but there is little formal relationship between study and the workplace. Technology is fundamental to instruction but rudimentary and minimally adaptive. This characterization is typically more acute at undergraduate level and with open enrollment, but can also apply to scaled graduate programming.

**Option 2 - Reform.** This option is degree-centric, uses more nuanced and sophisticated pedagogy and assessment, sources high quality curricula and materials primarily from outside the institution, makes deliberate pedagogic/assessment use of the student workplace, and uses intelligent tutoring to both personalize learning and control faculty costs. Student outcomes, towards and after graduation, are measured in detail, and benchmarked against national and peer averages, ideally using some kind of third party, standardized test. Student attrition is relatively low, i.e., less than 25%. This option essentially adheres to the hegemony of the degree but attempts to better support the fundamentals of the value proposition. For this option, degree alternatives at scale are regarded as lacking sufficient status and consumer/employer appeal.
**Option 3- Radical.** This option is non-degree-centric, viewing the degree, particularly at Bachelor’s level, as too time/cost intensive for an adult audience looking for sophistication and employability gains as efficiently as possible. This option is course-centric, occasional, just-in-time and lifelong, and in other aspects akin to Option 2 above, in terms of pedagogy, assessment, technology and data. Option 3 might embody some kinds of MOOCs and mastery-based learning models. In reality, particular examples might be characterized by some aspects of Option 3 but not others. Having a course-centric model is one thing, and in some ways comparable to longstanding noncredit versions of continuing education, but the addition of more sophisticated pedagogy, etc. will make a greater difference. By definition, Option 3 is least proven.

As noted earlier in this report, Eduventures’ most recent *Adult Higher Education Consumer Preferences* survey found that generally the American adult believes in the conventional higher education value proposition, is concerned about time and cost barriers but is not actively evaluating alternatives. Similarly, employers may complain about graduate quality but quickly default back to degrees as a convenient and meaningful sorting device. If employers start to see advantages in MOOCs and related innovations, consumers might become less risk averse and begin to see the benefits of degree alternatives.

In Eduventures’ view, a solution to the quality/quantity challenge facing American higher education that does not embody more sophisticated technology and a bigger non-degree role seems implausible; but such a radical alternative to the status quo must overcome deeply entrenched norms and habits, which also seems implausible.

From schools’ perspective, the opportunity is to reach the large number of adults interested in higher education but dissuaded by cost and time issues, despite years of online and other flexible options. The alternative risks bumping up against the consumer preference threshold for online delivery, dealing with sustained regulator skepticism about nontraditional delivery at scale, and a value proposition curtailed by ambition that extends no further than the campus norm. Adult higher education has come a long way over the past century, and certainly made commendable headway over the past two decades. The system is poised for a new breakthrough, but the opportunity must be seized.
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