ACADEMIX Upshot

DÉJÀ VU ALL OVER AGAIN?

THE COVID-19 RECESSION AND ADULT PARTICIPATION IN POSTSECONDARY EDUCATION

THE UPSHOT

Economic downturns like the Great Recession and the current COVID-19 recession provide the opportunity for workers to use the time of low labor demand to "retool," investing in education to gain skills that will yield individual benefits and facilitate economic recovery. Yet realizing the promise of postsecondary attainment for adults has been an elusive goal for policymakers, colleges and universities, and funders. While the increased enrollment in higher education in response to past downturns has been substantial, measurable impacts on earnings trajectories and program completion for adult students have been limited. Will the COVID-19 downturn be different? Because the very nature of the COVID-19 crisis is not amenable to packed classrooms, "this time" will naturally be different in some respects, yet several of the same risks still remain—especially for vulnerable student populations.

Looking back to past recessions, adult students both experienced larger relative college enrollment increases than recent high school graduates and were also more likely to pursue programs at community colleges, for-profit institutions, and other broad access universities. And even before COVID-19, these students were relatively more likely to pursue online courses of study. Still, the evidence and "lessons"—not necessarily learned—from past downturns suggest that postsecondary *enrollment* alone does not guarantee the attainment of valuable credentials. In the worst cases, aspirations for the development of new skills produced only crippling debt and weak employment prospects for adult students. Realizing the long-term individual and public gains that can come from increased postsecondary enrollment in a weak labor market requires tools to facilitate well-informed college choice, meaningful consumer protections, and federal and state policies that integrate postsecondary financial aid sources, and income supports like Unemployment Insurance (UI).

THIRD WAY

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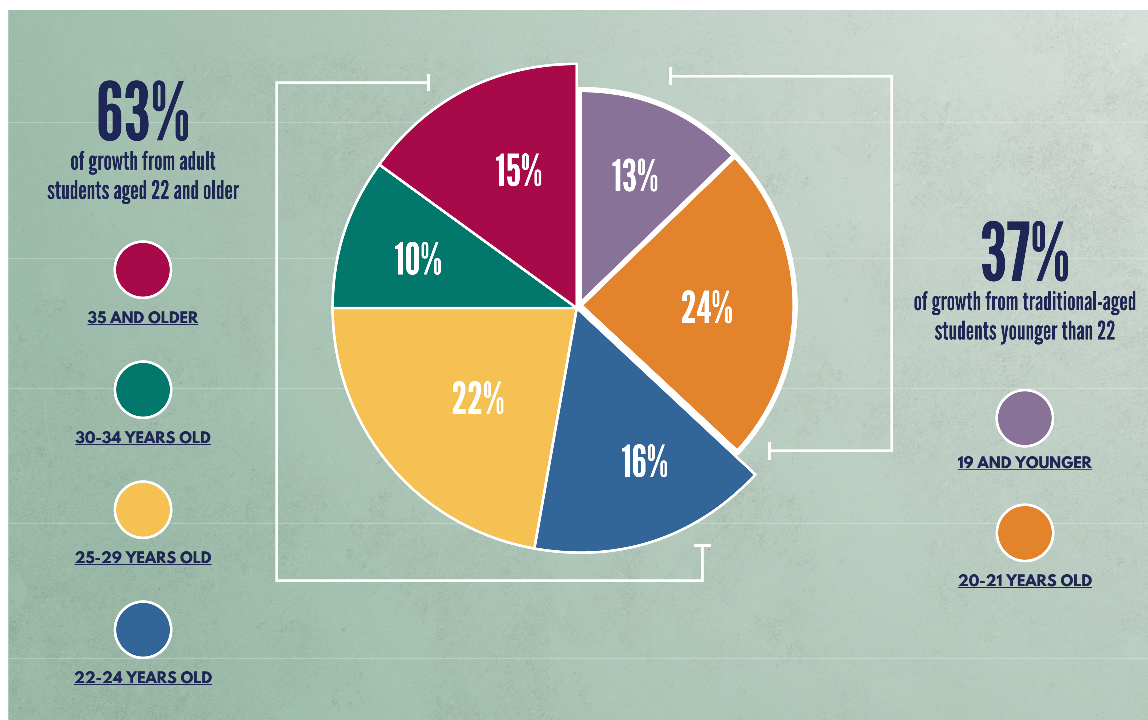
NARRATIVE

Historically, when economic prospects erode due to a downturn, postsecondary enrollment has increased. As the unemployment rate increased during the Great Recession from 6.5% to 10% between October 2008 and October 2009, postsecondary enrollment grew, rising from 19.1 million to 21 million students between 2008 and 2010, with the majority of this increase coming from adults in their 20s and 30s rather than recent high school graduates.[1] But data reveal that these spikes in participation have not always translated to meaningful impacts on degree attainment and income gains for those adult students.

Figure 1. *Breakdown of Postsecondary Enrollment Growth Between 2008-2010 by Student Age*



Source: Digest of Education Statistics, *2017, Table 303.20.*

Indeed, some adult students induced to enroll in college during past economic downturns like the Great Recession failed to attain valuable credentials while also accumulating crippling debt. Prior analysis of administrative data provides a sobering account of the substantial rise in loan non-payment arising from the enrollment boom of the late 2000s. The worst outcomes fell disproportionately on adult students, as about 30% of non-traditional-aged borrowers required to start repayment on loans in 2011 defaulted within three years relative to a non-repayment rate of 13% among traditional-aged undergraduate borrowers.[2]

Who Are Adult Postsecondary Students?

Students returning to college from the labor market differ from recent high school graduates in where they choose to enroll and the programs they pursue. For these students, proximity to home, availability of courses with clear labor market pathways, and flexibility in the timing of course offerings take precedence in the decision-making process. The growth in the enrollment of adult students during the Great Recession was concentrated at for-profit institutions and community colleges. For students ages 22-29, the enrollment increase of 763,627 students between 2007 and 2011 was largely split between the for-profit sector (30% or 230,758 students) and the community college sector (49% or 376,214 students).[3] For students in the 30-39 age range, the overall increase of 28% in enrollment (473,939 students) occurred to a yet greater degree in the for-profit sector, with an addition of 207,511 students (44% of the total growth).[4]

While the shift to a fully online or hybrid format in response to COVID-19 is a particularly evident one, impacting even the most "traditional" residential institutions and their students, online learning is not such a "new" mode of delivery for adult students. Looking back to 2011, 36.5% of students ages 24-29 took online classes compared to 26.5% of their traditional-aged peers. And, more recent pre-COVID-19 data show that overall, 43.1% of students took any course online and 10.8% attended programs entirely online; for adult students ages 24-29, 50.7% took at least one course online and 17.5% were enrolled in degree programs that were entirely online.[5]

How Economic Recessions Uniquely Impact Adult Students and their Enrollment Decisions

Adult Students Face Information Gaps in College Choice

Problems resulting from lack of access to informational tools to inform college choice and limited consumer protections are particularly salient for adult students during recessions. Even as many high school students struggle to navigate the choice among colleges and submission of financial aid applications with the supports of high school counselors and their parents, returning adults lack these institutional references and resources to differentiate among colleges.[6] As a result, adult students face information gaps that make them more likely to enroll in programs where data on employment outcomes, completion rates, and debt burdens available in the public domain prior to enrollment (but often not visible to students) indicate that the likelihood of positive outcomes is quite small.

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Adult Students Are More Likely to Enroll in For-Profit Institutions

During the Great Recession, the combination of capacity constraints at many public colleges and universities and the availability of substantial financial aid from federal sources fueled a boom in the for-profit sector. Whether an institution is operated under public, non-profit, or for-profit control need not determine the quality of academic programming, but the data make clear that enrollment growth during this period—notably among adult students—was concentrated among low-performing institutions, with a disproportionate number of poor performers being from the for-profit sector. Several studies have found that adults enrolled in for-profit general education programs receive little earnings gain on average relative to high school graduates but incur substantial costs, and that attendance at a for-profit institution is linked to higher debt accumulation and heightened risk of student loan default for adult students.[7]

In the aftermath of the Great Recession, failures of consumer protections at for-profit providers receiving federal funds disproportionately affected adult students. For example, a 2010 Government Accountability Office study identified widespread deceptive practices by for-profit institutions, including exaggeration of expected earnings, misstatements of costs, and excessive enrollment pressure.[8] Corinthian Colleges and DeVry University were among the large for-profit providers that were eventually charged by the Department of Education (Department) for misleading students on employment prospects, which resulted in substantial fines and sanctions.

As is now evident, much of the growth in the for-profit sector was transitory. Enrollment at for-profit institutions peaked at 2.022 million students in the fall of 2010, before falling precipitously to under a million students in the fall of 2018.[9] And many institutions in the for-profit sector have closed their doors, with the number of for-profit postsecondary institutions declining from more than 1,400 in 2011-2012 to less than 750 in 2018-2019.[10] Still, there is concern that adult students entering college during the COVID-19 recession will once again be targeted by low-performing for-profit providers, spurring another period of growth in the sector. A recent *New York Times* article noted the increased marketing activity of for-profits like Capella University, with advertisements promoting its flexibility in "uncertain times," while for-profit American Public University and American Military University have accelerated marketing spending.[11]

While it is too early to get definitive enrollment counts, Free Application for Federal Student Aid (FAFSA) filings provide a good leading indicator. Focusing on high school seniors, a recent brief from University of Michigan researchers notes that overall applications for financial aid for 2020 are stagnant and declined notably among dependent students applying from high schools that serve many low-income students.[12] But when looking at adult students (those classified as independent), there are indications of an *uptick* in enrollment after many COVID-19 business closures. Comparing third quarter FAFSA applications between 2019 and 2020 among independent students shows an overall increase of 4% in submissions, with an increase of 11% at for-profit institutions.[13]

Adult Students' Needs Are Often Unmet by the Federal Financial Aid System

A long-standing question concerns the extent to which federal financial aid is aligned with the needs of adult students. Potential adult students may have limited knowledge of the availability of resources like Pell Grants and federal student loans, let alone the process for accessing these resources via FAFSA submission.[14] Moreover, because the financial needs assessment in the FAFSA is "backward looking"—basing eligibility on prior earnings—it may be ill-suited to accommodate the needs of adult students who may choose to pursue enrollment precisely *because* they have experienced more recent earnings disruptions. The Great Recession era was unique because guidance the Department issued in 2009 encouraged college financial aid offices to exercise their discretion when reviewing the cases of those who had lost jobs.[15] In June 2020, however, in the middle of the pandemic, the Department rescinded that guidance, making it more difficult for financial aid officers to apply their "professional judgment" in the needs assessment and aid allocation for students receiving employment assistance like Unemployment Insurance (UI) whose past income data may no longer be relevant.[16]

POLICY IMPLICATIONS

Data and precedent raise concerns that the COVID-19 recession will once again usher in a new era of low-quality institutions marketing aggressively to adults, and potentially leaving them worse off than they would be if they had never enrolled. A key question for policymakers is whether the federal government has put in place enough interventions and guardrails to better position adult students to make choices that offer a high return on their higher education investment. Since the Great Recession, there have been notable innovations in the availability of data on program quality. For instance, the College Scorecard, launched by the Department in 2015, provides data on graduation rates, employment outcomes, borrowing, and defaults. But, to date, there is little evidence that such resources are widely used by student consumers (even as they are appreciated by researchers). The Department has also made recent changes to the data displayed that have the effect of making the for-profit sector appear to deliver better for students, including no longer publishing student loan repayment rates on the College Scorecard and changing its default search output to list schools by their completion rates rather than their employment outcomes.[17]

Thus, as policymakers look to the remainder of 2020 and beyond, they must remain cognizant that labor market projections call for an unemployment rate in excess of 9% at the start of 2021.[18] These circumstances prompt the question of whether an increase in postsecondary participation for adult students will provide individuals with a "leg up" in the labor market, along with a more general boost in economic recovery. This is an important goal, but one that has been largely unfulfilled to date. Realizing the true potential of adult postsecondary participation in times of economic recessions requires policy shifts that improve the capacity of students to be well-informed investors, provide appropriate consumer protections to these students, and offer financial aid options aligned with the circumstances of adult students.

To this end, federal and state policy at the intersection of workforce programs and postsecondary enrollment needs reform and innovation. To improve outcomes for adult students entering higher education in the COVID-19 recession, policymakers should consider:

- **Providing customized guidance to help workers choose (and complete) postsecondary programs for which they are well matched.** State and federal programs that reach potential adult students need to help individuals identify academic programs well-matched to personal circumstances and local labor markets, along with guidance about financing options. State programs that connect directly with workers include the Workforce Innovation and Opportunity Act (WIOA) and UI systems, while federal outreach can be embedded in the FAFSA application. Before making financial commitments to particular colleges, individuals need to understand the benefits they are likely to receive in relation to costs.

- **Improving consumer protections.** It is not enough to "promise" students a high rate of return on investment. Colleges and universities must be expected to deliver and, if they fall short, they must be held accountable immediately—not after a lag of multiple years. While losing access to Title IV financial aid is a powerful tool, it has been used ineffectively by the federal government as a regulatory instrument. Because high default rates are "lagging indicators" (visible only after students have ended enrollment spells) and tend to be concentrated among institutions lacking substantial track records, many students are harmed *before* poorly performing institutions close.[19] Audits of promotional materials and curricular content and delivery for institutions and programs lacking demonstrated track records would help to identify—or deter—the most egregious problems before they take a toll in terms of lost opportunity for individuals and wasted taxpayer dollars.

- **Restructuring federal financial aid for workers who experience job loss and aligning postsecondary aid with workforce support programs like UI.** For workers who experience economic setbacks, earnings in prior years do not capture their current capacity to pay for postsecondary programs and provide for living expenses. The federal Pell Grant and federal student loan programs should provide clear information assuring aid eligibility for students impacted by job loss. In turn, state workforce agencies and postsecondary programs must coordinate to provide clear articulation of benefit eligibility.

METHODOLOGY

This brief draws on research papers like Barr and Turner (2015, 2018) and Looney and Yannelis (2015, 2020), along with more general policy briefs such as Turner (2017, 2018, 2020). Economists and other social scientists have used a wide array of data to examine postsecondary enrollment outcomes for older students in the wake of the Great Recession more than a decade ago.

A particularly important dimension of evidence comes from federal guidance (Department of Labor, TEGL 21-08) sent to state workforce agencies encouraging the notification of UI recipients of postsecondary opportunities and the availability of financial aid. With idiosyncratic variation among states in the decision to notify recipients, there was an informational experiment in which some states sent a model letter which informed UI recipients of their eligibility for Pell Grants and how to pursue enrollment opportunities. The main takeaway from the comparison of letter recipients to non-recipients is that there is a sharp divergence between the two groups, with the letter recipients enrolling at a rate about 4-5 percentage points greater than those who did not receive the letter after six months. While these are large enrollment effects for a relatively modest intervention, evidence of an impact on program completion or earnings is limited.

Analysis of vast administrative data resources from the Treasury and the National Student Loan Data System conducted by Looney and Yannelis (2015, 2020) also calls attention to the difficulty in repaying loans encountered by many of the adult students pursuing postsecondary education during the last two decades.

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