



ENVIRONMENTAL SCAN 2020 – 21

*A working document to support the strategic planning
of NACE members*

NACE ENVIRONMENTAL SCAN 2020-21

This environmental scan focuses largely on demographics. It includes current demographic data as well as projected data, with an eye toward the resulting repercussions that will drive significant changes in higher education, business and industry, the economy, and the labor force.

Chief among these data and, perhaps, most relevant to the NACE membership: falling enrollments in institutions of higher learning. With enrollments projected to “drop off a cliff” in the mid-2020s, it is critical that government, higher education, business/industry, and public policy makers develop strategies and a collective response to address the demographic realities.

DEMOGRAPHICS

Data are most current available from the National Center for Education Statistics, IPEDS database.

Bachelor’s Degree Enrollments

- There were approximately 11 million students enrolled in bachelor’s degree programs at more than 2,400 four-year, degree-granting institutions in the United States for the start of the 2018-19 year. Undergraduate enrollments decreased by 1.1% in September 2018 compared to September 2017; full-time undergraduate enrollments fell by 1.5% during the same period.
- Demographically, they are distributed as follows:
 - 56.0% Female; 44.0% Male
 - 52.2% White
 - 11.5% African-American
 - 16.3% Hispanic-American
 - 6.5% Asian-American
 - 4.4% International
 - 3.9% Multi-racial
 - 0.6% Native-American
 - 4.4% Race/Ethnicity Not Reported
- Approximately 75.0% or 8,165,000 students were enrolled as full-time students.

Bachelor’s Degree Completions

- In 2019, there were 1,988,047 bachelor’s degrees awarded, up nearly 8% from 2018.
- Demographically, they are distributed as follows:
 - 57.4% Female; 42.6% Male
 - 56.9% White
 - 9.5% African-American
 - 13.7% Hispanic-American
 - 7.2% Asian-American
 - 5.0% International
 - 3.5% Multi-racial
 - 0.4% Native-American
 - 3.5% Race/Ethnicity Not Reported

- African-Americans and Hispanic-Americans are often referred to as underrepresented minorities. The data on bachelor-degree enrollments document the extent to which they are underrepresented. African-Americans were 14.7% of the 20-24 year old noninstitutional population; they constituted less than 10% of those receiving the bachelor's degree. Hispanic-Americans were 22.6% of 20-24 year olds but represented just under 14% of those graduating with a bachelor's in 2019.
- Among highly selective schools the representation of African-Americans and Hispanics is even less. Among schools where the admissions rate is 10% or less, African-Americans were only 6% of bachelor degree graduates in 2019 and Hispanics were 12%.
- College Scorecard data indicate that there are significant economic advantages of graduating from a selective college. The following represent the percentage increase in starting salary between graduates from highly selective schools as compared with graduates of non-selective institutions by academic program areas:
 - Humanities – 35%
 - Social Sciences – 85%
 - Physical Sciences – 29%
 - Formal Sciences – 101%
 - Engineering – 24%
 - Business – 55%

Extended Demographic Outlook

- The U.S. birthrate fell to a 32-year low in 2018, but has its roots in the Great Recession of 2008. Although the economy rebounded, the birthrate has not and is expected to continue to fall. The domino effect means that college enrollments will begin to drop sharply in the mid-2020s. (Source: CUPA-HR, *The Looming Enrollment Cliff*)
- Based on data from WICHE's (Western Interstate Commission on Higher Education) *Knocking at the College Door* report, high school enrollments in the United States will peak in 2024-25 before decreasing sharply (9%) until 2031-32. In addition, the racial/ethnic profile of these graduates will also change. Underrepresented minorities will increase from the current 35% of the population to more than 39% by the end of this decade.
- All of the growth in high school graduations will occur in the Southern and Western United States. This is significant because the underrepresented minority population of high school graduates in these states will exceed 50% in about half of the states and will be more than 40% in most of the others. In addition, high school graduates in these states tend to be disproportionately low income, ranging from a low of 39% in Virginia to a high of 71% in Mississippi.
- Minority and low-income high school graduates tend to be the least likely to enroll in bachelor's degree programs (see above).
- Student tuition money is currently the dominant source of funding at four-year institutions. The proportion of funding from the states declined from 72% in FY2000 to 35% in 2013. (Source: *Center on Budget and Policy Priorities*) One can only expect state support for higher education to decrease further after the unprecedented expenditures connected with Covid-19.
- The combination of lower enrollments, a higher percentage of enrollments that will need financial support, and lower public funding levels will likely place many regional serving four-year institutions in financial jeopardy by the second half of this decade.
- By the end of the decade, first-generation students are likely to make up a significant portion of college enrollments.
 - In general, many of these students will require financial support. Impacting institutions' ability to provide such support is the drop in enrollments among international students, whose tuition

payments have helped to offset financial aid to other students historically.

- The combination of fewer entrants and less financially viable entrants for currently non-selective institutions will result in a major financial burden for these schools. Without alternative funding streams (state support, international students) these schools will be faced with the need to cut staff and program offerings. Increased state support is likely to be non-existent during the decade because of the extreme financial burden placed on state and local governments because of the Covid crisis. Revenue from international students may increase if there is a change in administration in Washington resulting in a more positive perspective on international education.

U.S. ECONOMY

- The U.S., in fact the world economy, has been devastated by the Covid-19 pandemic. After growing annually for 11 consecutive years, the U.S. gross domestic product (GDP) is expected to decline in 2020. The Conference Board projects that U.S. GDP will decline by 7 percent by the end of the year. (*Source: Conference Board Economic Forecast for the U.S. Economy, July 8, 2020*)
- The Organization for Economic Cooperation and Development (OECD) projects a 9.1 percent decline in overall economic activity for Europe and a 6 percent decline in the overall world economy based on a single pass of Covid-19. If there is a second wave, then OECD is projecting the U.S. economy to decline by 8.5 percent; Europe by 11.5 percent, and the world by 7.6 percent. (*Source: OECD, Economic Outlook 2020: Statistics and Projections*)
- The current overall unemployment rate is 11.2%; the overall rate for February 2020 was 3.5%. The unemployment rate has recovered somewhat from its April high of 14.4% but still remains higher than at anytime since the Great Depression of the 1930s. (*Source: Bureau of Labor Statistics: Current Population Survey*)
- The class of 2020 appears to have been hit extremely hard by the downturn in the labor market. The unemployment rate for bachelor degree holders aged 20-24 is now 20.4 percent compared with last year at this time of 5.9 percent. The last three months represent the worst quarter for the young college labor market since we began tracking the monthly numbers in 2010. The unemployment rate for this group has exceeded 15 percent in each of the last three months. The previous monthly high was 13.1 percent in July 2011. (*Source: Bureau of Labor Statistics: Current Population Survey*)
- The stock market has performed better than most of the economy during the Covid-19 crisis. The Dow Jones Average dropped 37 percent at the start of the crisis in late March but has since recovered to being 12 percent off its February high. (*Source: Wall Street Journal: Daily Tracker*)
- The U.S. economy is characterized by a relatively large measure of inequality. The classic measure of equality/inequality is the Gini Index. The index ranges from 0, a state of perfect equality (every households share of income is exactly the same), to 1, a state of perfect inequality (all income is possessed by only one household). According to World Population Review, the U.S. Gini Index entering 2020 was 48.5, the highest it has been since 1930. The U.S. Index was below 40 between 1944 and 1982. It has been rising steadily since 1974 when the index was 36.6. By comparison, virtually all the major democratic, industrialized nations have indices below 40 (Japan – 37.9; South Korea – 35.7; India – 35.2; United Kingdom – 32.4; Canada – 32.1; France – 29.3; Germany – 27; Sweden – 24.9). (*Source: World Population Review*)
- The inequalities are reflected and likely will be exacerbated by unemployment being experienced because of Covid-19. The overall unemployment rates by demographics for June 2020 are:

	All	Bachelor Degree or Higher
White	10.2	6.7
African-American	15.5	8.9
Hispanic-American	14.5	9.1

- The Congressional Budget Office (CBO) is projecting that employment will not completely recover during this decade. The current forecast is for the unemployment rate to drop to 7.6 percent by the end of 2021 and to reach a low of 4.4 percent by the end of 2030.

PUBLIC POLICY

- In November, a general election will be held to choose the president, a new House of Representatives, and one-third of the Senate. Current data point to a significant restructuring of executive and legislative leadership in Washington. The Real Clear Politics average of national polls has former Vice President Biden leading President Trump by 9.0 percent. Real Clear Politics currently allocates 222 electoral votes to Biden and 125 to Trump with 191 rated as toss ups. However, if the 12 toss up states are allocated to the candidate leading in the polling averages of those states, then an additional 111 electoral votes go to Biden and only 22 to Trump with 58 still at large because no candidate has established even a marginal lead in those states.
- A similar situation exists in the Senate. Real Clear Politics currently allocates 47 Senate seats to Democrats and 48 to Republicans with 5 seats rated as toss-ups. All 5 of these seats are currently held by Republicans. The Democratic challenger leads the polling average in 4 of the 5 states. The one outstanding state (Montana) has not yet conducted a statewide senatorial poll.
- Based on the polls and interviews with political insiders, the nonpartisan Cook Political Report has described the 2020 elections as a likely Democratic tsunami resulting in complete Democratic control of the executive and legislative branches of the national government in 2021. Consequently, there will be little incentive for Democrats to cooperate to pass Republican-led legislation. What policies will go into action are likely to be limited to presidential executive orders and emergency Covid packages, even these will be difficult to pass with the two Houses of Congress controlled by different parties.
- If the Democrats do take over in 2021 a number of policy changes will likely be promoted. Topping the list could be the following:
 - A reversal of the 2017 tax cut. Federal coffers have been seriously depleted by lower tax revenues since the tax cut went into effect and trillions of dollars had to be allocated for Covid-19 relief. A more progressive tax rate is likely to be a paramount objective of a Democratically controlled Washington both to replenish the federal treasury and to increase the level of equity in the economy. The top marginal rate when the U.S. Gini index was at its low in 1974 was 70 percent compared with the current top rate of 37 percent.
 - A reversal of the anti-immigrant policy that has been the hallmark of the Trump administration. We are likely to see a permanent legislative fix for DACA from a Washington controlled by Democrats
 - A more benevolent attitude toward traditional higher education. The Democratically controlled House of Representatives has been considerably more generous to colleges and universities in its stimulus packages. We can expect that to continue if Democrats win the White House and take control of the Senate. However, Democrats have also been more vocal in support of greater accountability from schools. Expect renewed pressure to pass the College Transparency Act and greater scrutiny of for-profit schools.
- The capacity of the federal government to legislate more redistributive policies may be seriously

hampered by the growing levels of federal debt. The U.S. debt to GDP level as of May 2020 is 120.5—the highest level ever recorded breaking the record set at the end of World War II (118.4).

COLLEGE LABOR MARKET

Data are from NACE Quick Polls, March through June 2020, unless otherwise indicated.

- As mentioned above, the young (20-24) bachelor unemployment rate passed 20% in June. Prior to Covid-19 shutting down most of the economy in March our Job Outlook Spring Update foresaw a relatively strong hiring season for 2020 graduates. The report was projecting a 6.8% increase in hiring. That projection is no longer viable.
- The Quick Polls we conducted from March through June indicate that most of the recruiting offers that went out before the pandemic are being honored by employers. Nevertheless, just over 7% of employers are revoking their offers to full-time recruits. This is an unusually high percentage. The only comparable percentage (9%) was in 2009 at the height of that recession.
- Besides the companies that were forced to revoke offers another 31% of employers decided to delay the start dates for their full-time recruits.
- In addition to the changes in the market for full-time recruits, there was, in many ways, an even more dramatic impact on internships. Just over 22% of employers reported that they had decided to revoke the internships they had offered to students for the summer. Of the remainder nearly half (46%) moved internships to being virtual. Internships have become a core aspect of the recruiting process and decreases in the number of internships generally presages a decline in recruiting for full-time positions.
- The Quick Polls were conducted too far in advance of the 2021 recruiting season to get a definitive picture of what to expect in the coming year. A better sense of the year will be obtained when we run our Job Outlook survey beginning the end of July. However, a number of tentative observations can be made based on the data from the Quick Polls.
 - The majority of employers (61%) still expect to recruit at the same level as they did for 2020. However, the percent expecting to decrease (16%) recruiting is greater than the percent expecting to increase recruiting (6%). This is generally an indication that over all recruiting for the class will decline.
 - Virtual recruiting will increase significantly this year. This accelerates a trend that has been taking place slowly but steadily for a number of years. Just over 47% of employers responding to the Quick Polls reported that they would increase recruiting through virtual media this fall.
 - Even though they expect to increase virtual recruiting most employers expect to attend career fairs in person this fall. Approximately 70% of respondents expect to attend in person career fairs provided that colleges continue to hold them this fall.
 - For their part the majority of colleges (55%) are planning on moving their career fairs to a virtual platform this fall. While the move to virtual career fairs is being done out of necessity it poses a serious problem for the effectiveness of college recruiting in FY21. Both employers and students have given in person career fairs high marks for use and satisfaction as an element in the college recruiting process. By contrast, virtual career fairs have received the very lowest satisfaction marks from both employers and students for the past decade.
(Source: NACE, *Recruiting Benchmark and Student Surveys*)