The economics of student retention

Students, society and higher education institutions all stand to benefit from investing in strategies that boost student retention.

by Alan Weeks
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Higher education retention rates in the US are critically low. Under 60 percent of students enrolled in four-year colleges in fall 2009 finished their degree in six years, according to the National Centre for Education Statistics. For students enrolled in two-year institutions, the picture is even bleaker. National Student Clearinghouse Research Centre data reveals that only 56.1 percent of first time degree-seeking students who enrolled in fall 2007 completed a degree or certificate within six years, and only 26.5 percent did this in their starting institution.

Unsurprising given these numbers, discussions over the past decade in the media and by policy makers have shifted from enrollment intake to persistence and retention rates. It makes financial sense; it is far more economical to invest in keeping already-enrolled students in school than invest in recruitment efforts. Education academic Joe Cuseo estimated it to be anywhere between three to five times more cost effective.

Policy-makers are taking note. When determining funding, states in the US have shifted their focus to graduation rates. The Obama Administration's American Graduation Initiative, a 12-billion-dollar plan launched in 2009 to reform U.S. community colleges, made retention its focus.

An Educational Policy Institute study surveyed 2,400 students who had dropped out of college or university to investigate the main reasons for their departure. It found that scheduling issues was one of four main causes. Others were that the 'college doesn't care' or 'poor service or treatment' – issues that could have been remedied in part by an advisor not consumed by issues such as bulk scheduling or record-keeping. (Read more about how advising impacts retention rates in VSB's article series).

Incoming student bodies are more diverse than ever before and have more choices and challenges to face. The 'non-traditional' student is now more commonplace than the 'traditional' student and students are more likely to be balancing work, family and finances alongside their studies. And because their demands outside of college or university are more particular and restrictive, non-traditional students require greater access to classes that are not only easy to compile, but easy to fit around their very specific needs. If they are not provided with these, they are likely to drop out or transfer to another institution.

There is more need now for institutions to invest in strategies that focus on student populations at risk of dropping out, like flexible and intuitive scheduling tools.

Retention's impact on student and society

A student's persistence at university will radically change the trajectory of their career and life. It will also have a positive economic impact on society.

College Board's 2016 Education Pays report investigated the benefits of higher education for individuals and society. It found that graduates have higher earnings post-university and were more likely to have more positive perceptions of personal health.

Graduates work, pay more tax, and contribute more to the economy. In 2015, median earnings of bachelor's degree recipients with no advanced degree working full time were $24,600 (67%) higher than those of high school graduates. Bachelor's degree recipients also paid an estimated $6,900 (91%) more in taxes and took home $17,700 (61%) more in after-tax income than high school graduates.

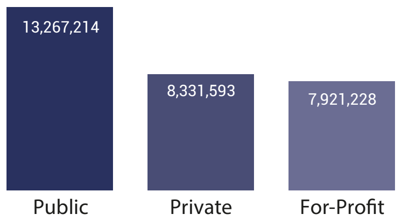
Graduates are much less likely to default on their student loans than students who drop out, given that they are more likely to find lucrative employment. They are also less likely to rely on safety-net programs and public budgets. Moreover, higher levels of education are correlated with higher levels of civil participation, including volunteer work, voting, and blood donation.

How retention affects universities' bottom line

Universities and colleges lose large sums of money when a student drops out. Each departing student takes away their tuition, fees, and all other revenue the school might receive via housing, food, or bookstore purchases.

An Educational Policy study demonstrated that 1,669 US colleges and universities collectively lost revenue due to attrition of an amount close to $US16.5 billion in the 2010-2011 academic year. Publicly-assisted colleges and universities fared the worst, but for-profit schools also lost vast sums due to drop-out rates.

Average revenue lost due to attrition at colleges and universities in the US 2010-2011 academic year



Source: The Educational Policy Institute. Figures quoted are in US dollars.

Thus any money saved by easing attrition rates can radically improves an institution's bottom line. It can also be used to reinvest in programming that furthers better returns.

On top of improving an institution's financial well-being, efforts to combat attrition rates fulfil universities' fundamental purpose of promoting learning and development.

Visual Schedule Builder's (VSB) new set of tools released with VSB 4.0 are aimed at tackling attrition rates, by making course scheduling easier for students and advisors. A sophisticated suite of early alert metrics provided by VSB tracks students' registration intentions, even during pre-enrollment, and gives advisors a greater set of tools to identify scheduling conflicts, complications and problematic patterns.

By giving advisors the tools to simplify the crucial job entrusted to them, we are hopeful that VSB can impact an institution's retention rate and therefore improve students' lives, an institution's bottom line, and society for the better.

VSB can provide an assessment report on how much value can be saved for an institution based on its public data. To reserve your assessment, contact pierre.guay@vsbuilder.com