

# United States of America

## Market Profile 2011 - 2012

May 2011



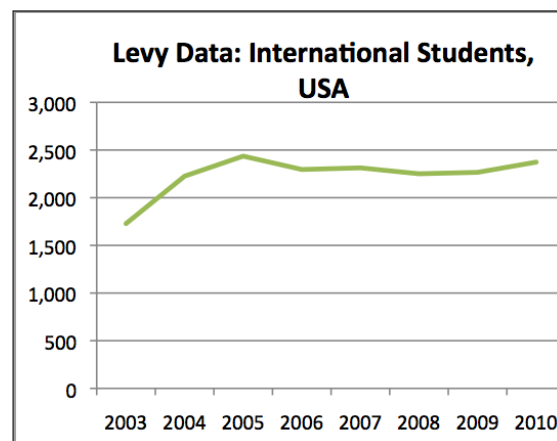
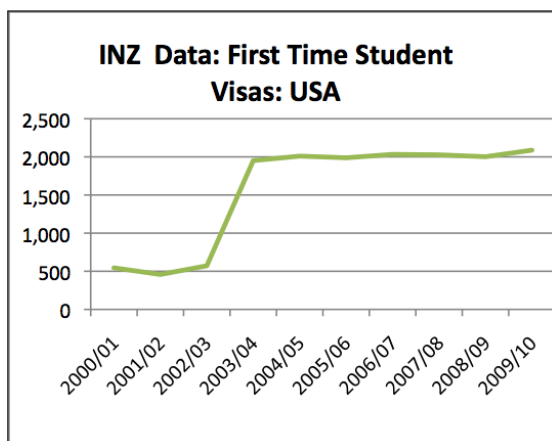
## 1. Introduction

Americans who choose to study in New Zealand are almost exclusively university students interested in semester-abroad programs or short courses. Several hundred students undertake full degree study, and fewer choose New Zealand institutes of technology and polytechnics, private training establishments or high schools. There are virtually no opportunities for English language schools to recruit students from America. As a result, this market profile is primarily focused on the university sector. Having said that, the general information is applicable to all sectors.

The financial crisis has had a profound effect on the American economy, the psyche of American consumers, and businesses. Financial pressure on education providers, parents and students will continue to dominate the American education sector for the next year or more.

There are four broad areas New Zealand education institutions should consider when investigating the American market:

- America's economy and job prospects for graduates
- overall student interest in international programs and available study options
- changing American demographics
- supply, demand and cost of America's higher education.



\*The Department of Labour (INZ - Immigration New Zealand) and The Ministry of Education provide regular updates to the Visa and Export Education Levy Statistics. The latest statistical information can be found at [www.educationnz.org.nz/policy-research-stats/statistics](http://www.educationnz.org.nz/policy-research-stats/statistics)

This market profile expands on each of these areas.

### America's Economy and Employment Landscape for Graduates

The driving force underpinning America's educational system for the majority of students remains the attainment of a high quality four-year degree. Latest figures suggest there are around 15 million students enrolled in institutions, 70% at four-year colleges and 30% at two-year institutions. There are some 5,000 colleges in America. Americans refer to university as college.

Earning a degree has become an essential cornerstone to a middle-class standard of living in America. This is particularly so given recent higher unemployment, and the continued mechanisation and outsourcing of many white collar jobs.

A recent New York Times headline illustrates the dramatic changes happening in the America's employment landscape and the effect it is having on previously bankable degrees: *Armies of Expensive Lawyers, Replaced by Cheaper Software* (6 March 2011). The story describes how \$1.5 million in legal research cost was reduced to \$100,000 by using the latest research software.

The consequences of unemployment in America are severe. Graduates don't qualify for unemployment benefits; and if a worker ceases employment, benefits usually last less than a year. Without employer subsidies many Americans cannot afford health care which typically costs around \$US1000/month. Some 25% of the bankruptcies in America result from people being unable to pay medical bills.

There is no doubt that America is wealthy. However, the vast majority of Americans live a modest life: a high school graduate can expect a median income of around \$26,000, with a bachelors degree the median is around \$49,000, and those with a doctorate can expect \$70,000. Minimum wage in America is less than \$8 per hour.

While the worst of the 2008/09 recession is past and there are some economic green shoots appearing, the recovery is fragile. As a result, spending habits are more conservative and are likely to remain so for the next 12-24 months.

America's unemployment is currently hovering around 9% and there are six applicants for every one job. Slow job growth is predicted to continue for the next 12 months at least.

What all this means for American students is they are facing an uncertain economic future, and the courses of study which in the past were considered bankable (such as medicine, law and business) are no longer a sure bet.

The ramification for the study abroad sector is that for many students the days where studying abroad was a 'nice experience' in and of its self are gone. Now students, and more particularly parents and colleges who ratify study abroad programs, are looking for educational building blocks and job-enhancing options as part of any overseas study experience. Another influencing factor is a desire by students and parents not to incur too much student loan debt.

New Zealand providers may want to consider 'career enhancing' changes to their current education offers.

### **Increasing International Study Options for American Students**

In 2009 (the latest figures available), some 260,327 American students studied abroad for credit, compared to 262,416 the previous year - the first decline in 22 years. Just 1% of American higher education students choose to study abroad.

The number of Americans choosing to study in New Zealand increased 5% to 2,769 during 2009 while Australia's numbers increased 1% to 11,140. The United Kingdom remained the most popular destination, with a total of 31,342 (down 6%).

At the same time, popularity of study destinations for American students is becoming more dynamic. During 2009, Chile, Denmark, Peru and South Korea all experienced 20-30% increases in American student numbers. Italy, India, Austria and Mexico suffered falls between 11-26%.

American students are more frequently choosing non-traditional study abroad destinations. They are attracted by new program opportunities, new institutional partnerships, and new fields and program durations to accommodate the needs of an increasingly diverse American study abroad population. The American State department is also focused on expanding opportunities.

The Obama administration has pledged to send 100,000 students to China over the next four years to help balance the 100,000 Chinese students who study in America each year. Currently, some 13,000 students study in China annually. An additional 50,000 Americans studying in China may or may not be achievable, but there will be considerable American government effort focused on this issue given political and economic relationships between America and China.

There may be increasing competition for the attention of American students interested in a study abroad experience. New Zealand marketers may want to consider focusing on particular areas of student interest in order to develop a competitive advantage.

### Top 20 Leading Destinations for American Students 2008/09

Rank	Destination	Number of Students	% Change
1	United Kingdom	31,342	-6
2	Italy	27,362	-10.8
3	Spain	24,169	-4.1
4	France	16,910	-2.5
5	China	13, 674	3.9
6	Australia	11,140	.9
7	Germany	8,330	.9
8	Mexico	7,320	-26.3
9	Ireland	6,858	-.3
10	Costa Rica	6,363	4.4
11	Japan	5,784	1.3
12	Argentina	4,705	14.5
13	South Africa	4,160	12.4
14	Czech Republic	3,664	7.2
15	Greece	3,616	-6
16	Chile	3,503	27.9
17	Ecuador	2,859	1.6
18	Austria	2,836	-15.5
19	Brazil	2,777	2
20	New Zealand	2,769	5.3

The study duration of American students studying abroad in 2008/09 was:

- 55% short-term programs (2–8 weeks)
- 41% mid-length programs (one semester, one quarter or two quarters)
- 4% spend a full academic or calendar year abroad.

### Changing American Demographics

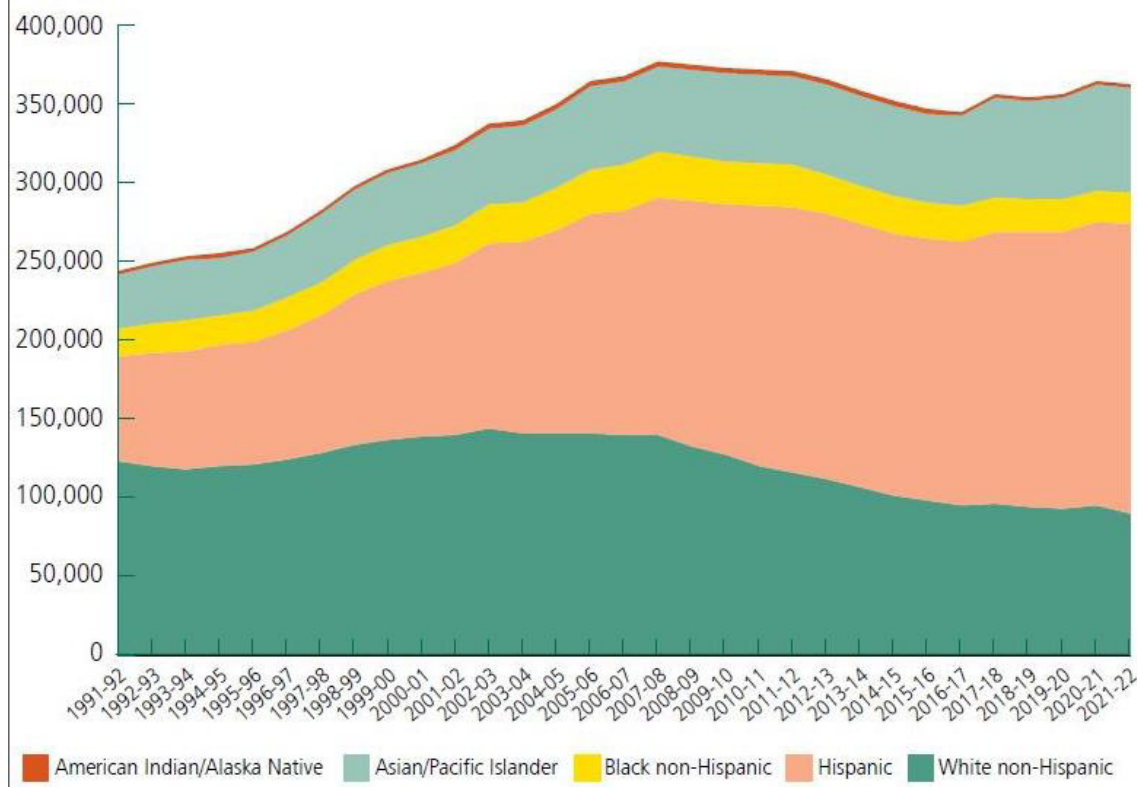
Changes in America's demographics are likely to have an impact on the study abroad choices students make in the coming years. This is likely to come from:

- the continuing population density shift from the north-eastern to the south-western states

- fewer high school graduates over the next few years
- growing ethnic populations (particularly Hispanics) - Caucasians make up just 40% of California's population compared with 47% in 2000.

This graph illustrates the probable demographic changes that will influence US higher education:

**Figure 4. California High School Graduates by Race/Ethnicity 1991-92 to 2004-05 (Actual), 2005-06 to 2021-22 (Projected)**



Source: <http://www.wiche.edu/info/knocking/1992-2022/California.pdf> Western Interstate Commission for Higher Education (WICHE)

The number of high school graduates in America peaked in 2008 at about 3.35 million. This number is expected to continue to decline until 2017 when modest growth is expected to resume.

**America Higher Education Supply, Demand and Cost**

The economic meltdown in America has caused much turmoil in higher education.

The average (published) tuition and fees increased much more rapidly than other prices in the economy between 2005-06 and 2010-11. However, the estimated average net tuition and fees (after considering grant aid and tax benefits) are lower in the public two-year, public four-year, and private non-profit four-year sectors than they were five years ago.

Published average prices for tuition, fee, room and board, and net costs for 2010/11 year

	Public 4-year college	Private non-profit 4-year college
Published price	\$US 16,000	\$US 35,000
Net cost (after grants and tax benefits)	\$US 10,000	\$US 23,000

State colleges are also coming under pressure as public funding is cut back by states under severe budgetary pressure. Meanwhile, enrolments at all institutions have ballooned. Community colleges are at capacity as are many of the state four-year colleges. The knock-on effect of this is that many of the private four-year colleges are also experiencing a surge in enrolments. In at least one case, increased enrolments have prompted a private university to double the number of students that study abroad as a practical way of managing student enrolment demand.

## 2. Local Education System

America's education system includes 12 years of regular schooling, preceded by a year or two of pre-school education, and followed by a four-stage higher education degree system (associate, bachelor's, master's, doctorate) plus various non-degree certificates and diplomas. In addition, there are special education services, adult basic and continuing education, leisure learning programs, and continuing professional education and training programs.

There is no central ministry of education in America and each institution can determine its own programs and admission standards. There are private as well as state-funded colleges.

## 3. The Role of Education in America

Education is revered in America and many students are on an education track from the time they start elementary school.

Significant immigration (both legal and illegal) over the past 20 years means that many of the trades and most labour jobs are dominated by Latinos and other immigrant groups.

Generally speaking, workers who want to break out of the minimum wage bracket need at least a university degree which in effect is just the first rung on the ladder – many students continue on to postgraduate studies.

### New Zealand's Reputation

New Zealand enjoys a positive reputation with Americans, they know about us and have a good impression of the country. Despite all the pressure on students to build career options through study, many young Americans are still choosing New Zealand because it is New Zealand. New Zealand institutions should never underestimate the attraction the country holds.

Around 160,000-200,000 American citizens visit New Zealand annually.

### **The Parent Factor**

American parents are heavily involved in their children's lives, particularly when it comes to education choices. This is partly due to the fact that many parents fund high school and university studies.

The term 'helicopter parent' is widely used to describe the millions of parents who hover over any and all activities their children (of all ages) are involved with. Many American universities have dedicated parent councillors to deal with the anxieties of parents. All universities and many community colleges have parent days throughout the year. All private high schools enjoy substantial parent involvement. New Zealand education providers should be acutely aware of this.

### **Digital America**

The primary communication tool in America is digital. The volume of information available through the internet and the sophistication of many of the websites means slow, cumbersome and not-to-the-point digital delivery are quickly ignored.

Any institution wishing to compete for American students must have top-notch digital delivery and almost instant customer service.

### **Student Aspirations**

The current financial meltdown coupled with a number of other factors has resulted in many American students aspiring to non-traditional jobs. The success of young entrepreneurs in America and the myriad (mostly digital) of opportunities to crack the next big idea are fuelling this notion.

Taking a Gap Year is becoming increasingly acceptable among students. Many American universities view a gap experience positively as it allows students to mature while at the same time providing some structure and discipline.

American students for whom traditional study abroad is not perceived to be an option include students:

- with tightly-structured degree studies
- in technical or pre-professional fields
- who cannot afford the loss of income from a job
- who cannot be released from family responsibilities
- who have not travelled and are unwilling to take the leap for a long period of time
- returnees from study abroad who can't take a semester or year away.

Programme Providers, more commonly known as Agents, are not a common entity in America. The market is dominated by three to four major players with some smaller organisations emerging. Generally America's institutions have their own International Study Abroad offices on campus.

#### 4. Sector-Specific Advice for New Zealand Education Providers

##### Undergraduate and Postgraduate Courses

The popular major fields of study for Americans studying abroad are social sciences (21%), business and management (20%), humanities (12%), fine or applied arts (7%), and physical or life sciences (7%).

The majority of American students studying in New Zealand are enrolled at universities (88%).

##### Secondary Schools

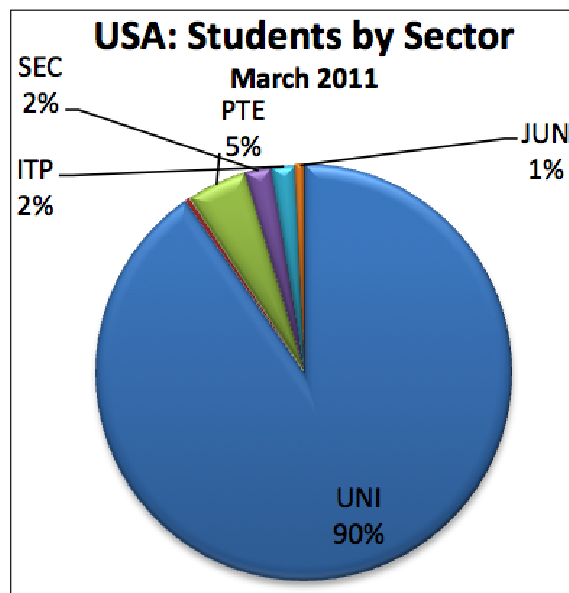
There is limited opportunity for New Zealand high schools to attract American students because parents are generally focused on financing a tertiary education as opposed to secondary school.

##### English Language

There are no opportunities in this sector.

##### Institutes of Technology and Polytechnics (ITPs)

New Zealand ITPs do offer unique programmes particularly in the areas of hospitality and tourism, specialty sciences such as Viticulture, and in practical application areas like engineering. The most positive facet of this sector is the practical teaching and learning expectations they offer. The most logical and practical fit for ITPs is to build relationships with some of America's smaller agents and also the community college network.



Source: Immigration New Zealand data. Key: UNI=Universities; NR=Not Recorded; PTE=Private Training Establishments; SEC=Secondary; ITP= Polytechnics; JUN=Junior (Primary, Composite, Contributing, Intermediate).

#### 6. Helpful Hints

- Often those who succeed split America into regions – one country, 52 markets.
- Ensure all marketing and other information is easily available on the internet.
- Use as many digital distribution channels as possible.
- Understand that generally American students have been guided by parents and teachers so they are less self-reliant than New Zealand students.
- American parents are very involved with the welfare and wellbeing of their children.
- America is a consumer-driven economy and has been vastly more affected by the financial crisis than New Zealand.
- There are many cultural and language differences between New Zealand and America, for example the term college in the America refers to university.

- Distances are vast and traffic in major cities can be busy. Allow plenty of time for meetings and do not expect contacts to travel to meet you. A half-hour meeting in Los Angeles may mean someone is on the road for three hours; the cost to them is high.
- Americans are very polite and respectful of others. Avoid using slang, off colour jokes or swearing.
- Faith plays an important part in many American's lives.
- Americans are generally respectful of other cultures.
- Information about public holidays can be found online at [www.worldtravelguide.net/united-states-america/public-holidays](http://www.worldtravelguide.net/united-states-america/public-holidays)





[www.educationnz.org.nz](http://www.educationnz.org.nz)

