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For-Profit Higher Education and Community Colleges

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The recent growth of for-profit educational providers has been one of the most watched trends in higher education (Blumenstyk, 2000; Burd, 1998; Selingo, 1999; Strosnider, 1998). Despite the widespread attention, surprisingly little concrete information exists about the for-profit phenomenon. Although the for-profit sector is not the only source of new competition in higher education, the highly publicized growth of some for-profit institutions has generated increasing anxiety among both private non-profit and public colleges and universities.

To develop a better understanding of how these institutions compare to public community colleges with respect to their students and programs, the Community College Research Center joined with the National Center for Postsecondary Improvement (NCPI) to conduct a two-year study. The objective was to determine whether these two types of institutions are competitive or complementary and how community colleges have responded to the growth of the for-profits.

The study contrasted national data on for-profits with national data on private non-profit and public postsecondary institutions, and examined case study data comparing a high-quality for-profit chain—which we call *Tech College*—to three public community colleges located near branches of the chain.

Overall, the study identified two significant conclusions. Our analysis of available data indicates that although for-profit enrollments are growing, the market share remains small. The for-profits are not likely to become a major competitive threat to overall community college enrollments in the foreseeable future. The *increase* in community college enrollments in the mid- to late-1990s exceeded the total for-profit enrollment in the two-year sector. But our case study suggests that the for-profit experience has important lessons for community colleges, especially with respect to

student services, program flexibility, the use of data for program improvement, curriculum development, and a focus on outcomes.

Three Principal Questions about the For-Profits

Our study addressed three main questions: (1) Does the growth of for-profits threaten the enrollment base of community colleges and other sectors of higher education? (2) Have for-profits developed a more flexible and responsive system of delivering postsecondary educational services, especially to adult students? (3) Compared to public community colleges, what is the quality of education provided by for-profits?

The growth of for-profits as a competitive threat. A 2001 report by the Education Commission of the States (ECS) points to a 78 percent growth in the number of for-profit two-year degree-granting institutions between 1989 and 1999. In the same period, the number of for-profit four-year institutions grew by an impressive 266 percent (Kelly, 2001). According to the National Center for Education Statistics (NCES), 28 percent of all two-year degree-granting institutions were for-profits by the end of the 1990s (U.S. Department of Education, 1999). In our opinion, an examination of *enrollment* patterns presents a more meaningful picture.

Thus, we considered national data from the Integrated Postsecondary Educational Data System (IPEDS) (U.S. Department of Education, 1999), which provides some baseline comparison among three sectors: public, private not-for-profit, and for-profit institutions. Each sector is in turn divided among two- and four-year institutions. Community colleges are in the two-year public category.

Student Populations: First, minorities, especially blacks and Hispanics, account for a larger share of for-profit enrollments than they do in either of the other two sectors. Second, women are concentrated among the two-year for-profits. This may reflect the large number of cosmetology programs in this sector, although the accuracy of these data may be suspect since many for-profits did not report data on gender. Community colleges are by far the most important providers of education for part-time students.

Enrollments at Two-Year Institutions. Based on enrollments, the for-profit sector is only a minor player

among two-year institutions. Moreover, for-profit enrollments actually dropped between 1992 and 1997, and while total enrollment among two-year institutions also fell, the for-profits accounted for a smaller share of enrollments in 1997 than they did in 1992. It is also clear that a large majority of students in two-year for-profit institutions are in schools that are not regionally accredited.

Enrollments at Four-Year Institutions. The for-profits account for less than 2 percent of four-year enrollments, but their total enrollments and enrollment shares in the four-year category grew between 1992 and 1997. Moreover, in sharp contrast to the two-year for-profits, about 60 percent of the students in four-year for-profits are enrolled in regionally accredited institutions.

The growth rate of the four-year for-profits does give the impression that they present a serious and growing competitive threat. For example, ECS (Kelly, 2001) points out that for-profit enrollment grew by 59 percent between 1989 and 1999, while enrollment in the public institutions (both two- and four-year) grew by only 6 percent. While this is certainly a large difference, the growth of for-profits started from such a low base that the 6 percent growth in the public sector enrollments actually represents a larger number of students (600,000) than the total for-profit enrollment even after the growth (366,000).

An emphasis on the growth rate of the *number of institutions* is misleading, since enrollment trends give such a different picture. Thus, while the for-profit share of the *number* of two-year institutions grew from 19 to 28 percent during the ten years following 1989 (Kelly, 2001), the for-profit share of enrollment among two-year institutions actually fell from 4.1 to 3.9 percent from 1993 to 1998.

Given the widespread discussion and anxiety about the competitive threat of the for-profits, the enrollment numbers seem low. Enrollments in two-year for-profit institutions actually fell during the middle part of the 1990s, and while enrollment in the four-year for-profits did grow, it started from a very low base. The for-profit University of Phoenix, for example, attracted a great deal of attention as its undergraduate enrollment nationwide grew to over 40,000 in 2000 (University of Phoenix, 2000). But Maricopa Community College District enrolled over 180,000 undergraduate students in credit-bearing courses in Phoenix, Arizona alone—over four times the undergraduate enrollment of the University of Phoenix in the entire country (Maricopa Community College District, 2000).

Degrees and Certificates Awarded by Two-Year Institutions. Public two-year institutions account for 87 percent of the associate degrees and 84 percent of the sum of all associate degrees and certificates conferred by two-year institutions. Certificates are much more important for the for-profits than they are

for the publics: certificates account for 35 percent of the degrees and certificates awarded by public two-year colleges, while certificates account for 57 percent of all degrees and certificates awarded by the two-year for-profits.

Degrees and Certificates Awarded by Four-Year Institutions. The for-profits account for a very small share of degrees awarded by four-year institutions. In the 1997-1998 school year, they accounted for only 2 percent of all degrees and certificates awarded by four-year institutions, and less than 1 percent of all bachelor's degrees. Interestingly, while about 12,000 students received baccalaureate degrees from four-year for-profit colleges, those colleges actually awarded over 13,000 associate degrees. Thus a typical for-profit college is much more likely than their public or private non-profit counterparts to confer both associate and bachelor's degrees.

Implications of For-Profit Degree-Granting Programs. Three issues related to degree-granting deserve more attention before community college administrators dismiss the for-profit phenomenon as a media-generated exaggeration. The first is that for-profit two-year institutions account for a much higher share of completed degrees and certificates than of enrollments—a rough indication that degree and certificate completion rates are higher among the for-profits. It is not clear whether this higher completion rate results from greater initial selectivity, better services, or lower standards. Institutions that are not regionally accredited, but are accredited by other agencies, confer most of these degrees and certificates. Also, a much larger share of the students in the public two-year schools are enrolled part-time, which could account for some of the difference.

Second, community college administrators and faculty argue that many students do not come to community colleges looking for degrees. Rather, they are seeking specific skills that they can learn in courses and shorter certificate programs. Whether or not this is true, it is clear that the for-profit two-year schools are significant players in the market for shorter-term credentials. This suggests that students in for-profit institutions looking for a package of skills rather than a full degree may be more likely to acquire formal credentials than they would if they enrolled in a public community college.

Third, it is interesting that the four-year, for-profit sector, which grew during the mid-1990s, confers as many associate as bachelor's degrees. This may be relevant to the discussion in the public sector about whether community colleges should offer applied bachelor's degrees and whether the four-year colleges should confer associate degrees.

Do the for-profits provide a more flexible, convenient, and responsive education than community colleges? Community college critics contrast the entrepreneurial spirit of the for-profits with

the supposedly tradition-bound inflexibility of community colleges. Freed from traditional academic schedules and even from many of the fixed costs of infrastructure and expensive facilities, for-profits, it is argued, are able to offer courses at more convenient times and in more convenient locations. Thus, for-profits are believed to have the ability to respond to market shifts and provide services that are attuned to the particular needs of a variety of students.

In addition to their flexibility, the for-profits appear to have an important advantage in their access to venture capital (Ortmann, 1998) that allows them to absorb the large up-front costs needed to design courses and develop the sophisticated web-based systems of distance education. How could public institutions that have to go either to state legislatures or directly to taxpayers (through bond issues) for their “venture capital” possibly compete?

Our case study evidence suggests that Tech College has indeed developed a more convenient, flexible, and consumer-oriented approach to postsecondary education than the three comparison community colleges. Tech College emphasizes convenience and coordination of services; unlike the haphazard process at community colleges, admissions, financial aid, assessment, advisement, and registration are closely linked. The much more comprehensive mission of community colleges and their complex array of programs and services make it difficult to develop a more streamlined program of student services.

We found six important distinctions between the for-profits—exemplified by Tech College—and the comparison community colleges that relate to the ability of each to deliver services effectively.

- Differences in *goals and missions* were the most important distinction. Tech College’s mission is narrow: to prepare students for careers in a limited number of technical areas. In contrast, career preparation is only one among many functions and objectives of community colleges.
- The *academic culture* is fundamentally different. In a major contrast to for-profit institutions, community college faculty have considerable autonomy and flexibility, and individual instructors make nearly all pedagogy decisions. At Tech College, these decisions are made centrally.
- The *curriculum development process* at Tech College is centralized. At community colleges, departments and individual faculty members have much more responsibility for program and course development.
- *Degrees* are given much greater emphasis at Tech College than at community colleges, and students at for-profits are more likely to complete degrees. As noted, community colleges argue that many of their students do

not want degrees but instead seek skills that can be learned in either credit-bearing or non-credit courses.

- In terms of *instruction*, the technical training and even some of the academic courses at Tech College made more use of labs and tended to tie their academic courses to practical applications and to the occupational curriculum.
- *Student services* such as admissions, counseling, and career placement are more integrated and better developed at Tech College than at the comparison community colleges.

Compared to public community colleges, what is the quality of the education provided by for-profits? Critics argue that for-profits “train” while community colleges “educate.” That is, students who attend a for-profit college trade off access to a short-term gain at the expense of a solid educational foundation. But much of the research on which the negative reputation of proprietary schools is based was carried out during the 1970s and 1980s—before the 1992 changes in the Higher Education Act. Today, most successful and well-known for-profit institutions share more characteristics with public community colleges and four-year colleges than the typical proprietaries of earlier decades.

Nevertheless, the more focused strategy of Tech College and many other for-profits does have implications for the nature of the education that their students receive. Tech College’s approach would be most effective for students who choose a career in a small number of technical fields. But if “education” means providing an environment in which undecided students can explore a variety of fields, then clearly community colleges provide more of that.

Unfortunately, definitive empirical analysis of these alternatives is not available. The data suggest that students who enroll in for-profit institutions are more likely to acquire a degree or formal certificate of completion. Such comparisons might be misleading since the characteristics of the students in the two types of schools might be different. Nevertheless, the higher minority enrollments in the for-profits hints that the higher completion rates are not simply a reflection of greater selectivity in admissions and enrollment.

Implications for Community Colleges and Further Research

Rather than looking at for-profits as a threat, community college personnel should study them for insights and lessons within the context of their own comprehensive and expanding missions. One approach might be to create more focused schools or programs within a particular community college, with courses, professors, and student services attached to that program. In addition, since customer service is notoriously lacking at public community colleges, coordinating student services and counseling and

improving institutional research to enable data driven decision-making are clearly areas that need intensive development. The choice and variety available to students at community colleges are not effective if students are not provided adequate help to navigate that complexity and make informed choices.

Community colleges keep a great deal of data but rarely is it in a form that enables easy use as a foundation for program improvement. For example, while community college staff assert that many students enroll solely to acquire specific skills and leave when they accomplish that goal, most students, when asked, say that they want degrees. And indeed, the majority of community college students say that they want a bachelor's degree (Schneider and Stevenson, 1999). These may be unrealistic expectations, but community college staff have trouble backing up their arguments because most community colleges lack systematic data on the educational and employment experience of their students after they leave. Tech College tracks its graduates for at least six months after they leave. A commitment to comprehensive data collection and its analysis for program improvement is something else that community colleges can learn from the for-profits.

A central finding of our study is that community colleges and their for-profit competitors are appropriate for different types of students. Students interested in a narrowly focused career in one of the technical fields offered at a for-profit may be more successful there. Students who are interested in other occupational fields or in a general liberal arts education or who are unsure of their career paths may find that a community college better meets their needs.

These conclusions are based on an examination of the programs and services offered at a few institutions that are arguably not representative. Additional research based on national data is needed to better understand the educational and economic benefits of for-profit versus non-profit public and private institutions. Such information would help both students and employers make better informed decisions.

An important line of research would be to study

the potential for collaboration between the two types of institutions. If indeed the two are complementary, new pathways could be created for students to reach their academic and career goals. We need to understand how students can best take advantage of the full range of resources provided by community colleges and their for-profit counterparts.

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