

DRAFT

**The Response of Community Colleges to Increasing Competition
and Growth of the For-Profits**

Thomas Bailey

Community College Research Center
Teachers College, Columbia University

May 2003

Paper Prepared for
Markets, Profits, and the Future of Higher Education
Teachers College, Columbia University
May 1-2, 2003

Introduction

Since the mid-1990s, the 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). Influential analysts foresee a much more competitive higher education landscape in which the traditional established institutions are threatened by burgeoning new educational providers and new forms of educational technologies. Frank Newman, former President of the Education Commission of the States (ECS) argues in his article, "The End of the Status Quo and the Rise of the Market in Higher Education" that, "Competition is forcing a hard reexamination of the purpose and effectiveness of every activity—from how well and often faculty interact with students, to whether expenditures on student life actually create a learning community, to the issue of costs and wise use of resources" (Newman 2001, p. 9).

The for-profit sector is not the only source of new competition in higher education. Growing competition for research funding and the fierce battles for *U.S. News and World Report* rankings are indications of competition among the public and traditional non-profit private institutions. New technologies are also expected to play a pivotal role. Nevertheless, the highly publicized growth of some for-profit institutions has been an integral part of the discussions of the new educational environment and indeed has generated growing anxiety among both private non-profit and public colleges and universities. For-profit institutions indeed comprise a growing and robust sector of higher education. Many for-profit corporations have maintained impressive profit margins and stock valuations despite the three-year-long stock market slump. In a Public Agenda report, *Meeting the Competition* (Immerwahr, 2002), the authors argue that higher education officials "have a strong sense of mounting pressures from for-profit and

virtual institutions, new technologies, and the expansion of competition from existing institutions” (p.3). Public Agenda’s informants also expressed anxiety “about the convergence of two factors: limited public revenues and a growing number of new competitors, especially the for-profits. The main concern was that new competitors would “cherry pick” the most profitable programs, leaving important but less profitable programs and functions ‘naked and alone.’” (p. 3)

Community colleges appear to be particularly vulnerable to this competition. Many for-profit institutions have focused on the technical fields that have been mainstays of community college enrollments. The for-profits have also appealed to older, non-traditional, working students, another crucial market for community colleges. Some prominent community college representatives have voiced this concern. For example, Tony Zeiss (1998), the President of Piedmont Community College in Charlotte, North Carolina, and a former President of the American Association of Community Colleges (AACC), posed the question: “Will our students become theirs?” He warned with some urgency that proprietary colleges “already have the jump” on meeting the needs and expectations of a broad cross section of community college students.

But competing head on with the for-profits may have its dangers as well. We may find that community colleges and other public or non-profit institutions have successfully responded to the emerging environment, but at the expense of the broader public purposes of education.

This paper examines how community colleges perceive this potential threat and how they have responded. Is Zeiss’s view widespread? How have community colleges been shaped by the new, more competitive environment? Are colleges losing students to

the new competitors? In trying to respond to the competition, are they changing their structures and purposes in undesirable ways?

In order to provide context, the paper first presents some background information on the characteristics, size, and growth of for-profits in the two-year sector. In the following section, we review research that compares the for-profits to public community colleges. That section is followed by a discussion of how colleges perceive the potential competition from the for-profits and other educational institutions. The paper then discusses how competition from the for-profits has shaped community colleges, differentiating between the credit and non-credit operations of the colleges. The following section discusses the community college reaction to the apparent growth of the importance of vendor-developed certifications; for-profit firms often provide the preparation for the assessments on which these certifications are based. The paper ends with conclusions.

Size, Growth, and Characteristics

In this section, we present national data on enrollments, degrees, and tuition to provide some baseline comparison among three sectors—public, private not-for-profit, and for-profit institutions. Each of these sectors are in turn divided among two- and four-year institutions, although we focus on the two-year sector. A two-year institution is one in which the associate degree is the highest degree granted. Institutions granting both a baccalaureate and an associate degree would be categorized as a four-year institution. The data are from the Integrated Postsecondary Educational Data System (IPEDS), which

is collected and maintained by the National Center for Education Statistics (NCES).¹ We use two IPEDS files. All of the enrollment data are from the fall enrollment survey for the 1998-99 academic year. These are the latest data available. Data in institutional characteristics are available for the 2000-01 academic year.

Institutional characteristics are displayed in Table 1. Several characteristics revealed in these data are worth emphasizing. First, minorities, especially blacks and Hispanics, account for a somewhat 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 institutions. Third, most students at the for-profits, according to these data, attend full-time. Indeed, the public two-year colleges are by far the most important providers of education for part-time students.

Table 2 presents data on enrollments in two-year institutions in the three sectors (public, private non-profit, and for-profit) during the 1992-93 and 1998-99 academic years. These data suggest that the for-profit institutions remained minor players among the two-year institutions. On the other hand, for-profit enrollments did grow while enrollments in the publics and private not-for-profits dropped during this period. Still, by the end of the century, the for-profits accounted for less than 5 percent of all two-year enrollments. It is also clear from this table that a large majority of the students in two-year for-profit institutions are still in schools that are not regionally accredited.

Table 3 presents data on degrees and certificates awarded by two-year institutions in each of the three sectors. For example, it shows that public institutions account for 87

¹ According to the NCES website, completion of an IPEDS survey is mandatory for "all institutions that participate or are applicants for participation in any Federal financial assistance program authorized by Title IV of the Higher Education Act of 1965, as amended." NCES reports a 90 percent response rate for the survey.

percent of associate degrees and 82 percent of the sum of both associate degrees and certificates conferred by two-year institutions. This table makes clear that certificates are much more important to for-profit schools than they are for the publics. Certificates account for 208,567 of the 634,884 degrees and certificates awarded by public two-year colleges (33 percent—not shown in the table), while certificates account for 56 percent of all degrees and certificates awarded by the two-year for-profits.² Although we do not have data from IPEDS on enrollments by degree objective, it is still useful to consider the enrollment data from Table 2 in light of the degree data in Table 3. According to Table 2, the for-profits account for 4.6 percent of the total enrollments in two-year institutions in 1998-1999, but we know from Table 3 that the for-profits emphasize certificates more than associate degrees. Therefore, we can conclude that the 4.6 percent for-profit enrollment share is an overestimate of the for-profit share of all students pursuing an associate degree.

A comparison of data from Tables 2 and 3 can also provide a rough sense of the percent of students enrolled in the different types of institutions who earn a credential—the completion rate. Table 2 shows that the for-profits accounted for 4.6 percent of the more than 5.7 million students enrolled in all two-year institutions in the 1998-99 school year. However, Table 3 indicates that the for-profits accounted for almost 15 percent of the total degrees and certificates awarded by all two-year institutions. The for-profits accounted for 10 percent of the associate degrees even though for-profits accounted for less than 4.6 percent of the students who were enrolled with the goal of earning an associate degree. This suggests that completion rates for the for-profits are higher than

² On the other hand, the small number of regionally accredited two-year for-profits look much more like their public sector counterparts.

they are for public community colleges. One reason may be that, as we saw in Table 1, students in the public sector are much more likely to be attending part-time and part-time students are less likely to complete degrees. Data based on the Beginning Postsecondary Student (BPS) survey presented in The Futures Project (2000) report on the for-profits also suggests a higher, or at least a more rapid, completion rate for both associate degrees and certificates for the for-profits. On the other hand, institutions that are not regionally accredited grant the large majority of degrees conferred by the for-profits.

The interesting point about Table 4, which presents similar information on the four-year sector, is that four-year for-profits are much more likely to confer associate degrees than their public counterparts. Indeed, the four-year for-profits granted *more* associate degrees than bachelor's degrees, while associate degrees accounted for less than 5 percent of the degrees granted by public four-year institutions. Still, this phenomenon is much more important for those for-profit institutions that are not regionally accredited.

In sum, enrollments in the two-year for-profits grew by over 5 percent during the six years from 1992-3 to 1998-9 while the overall sector shrank. Still, rapid growth from a low base does not necessarily result in large gains in market share, so by the end of the century, the for-profits still accounted for less than 5 percent of all enrollments.

Minorities and women were somewhat more concentrated in the for-profits and there is some tentative evidence that degree completion rates are higher in the for-profits. In sharp contrast to the public sector, four-year schools grant about one third of all of the associate degrees granted by for-profit institutions. On the other hand, regionally accredited institutions are still in the minority in the two-year for-profit sector.

Public and Private Institutions Compared

So far we have focused on enrollments and degrees, but how does the content of the education and the student services at the public and for-profit schools compare? Critics of the for-profits have argued that at best they “train” rather than “educate,” while advocates point out that they provide a more flexible, responsive education that is particularly suited for non-traditional students.³ Despite the interest in the for-profits, there is still little empirical research that compares the two types of schools. Here we summarize the conclusions of two research projects based on interviews with students, staff, and faculty, and on examination of available documents in the two different types of institutions. One, by Bailey, Badway, and Gumport (2001), compared a national for-profit chain to three community colleges located near branches of that chain. This study compared a variety of characteristics of the two types of institutions. These included the missions, curriculum development, pedagogy, student services, flexibility of scheduling, selectivity, course sequencing, and transfer. The second, by Deil-Amen and Rosenbaum (2003a, 2003b) compared seven community colleges to seven for-profit institutions in urban and suburban Chicago. That study focused (at least in material published so far) on student services and the relationships to employers, especially for the purpose of placing students and graduates in jobs. All of the for-profit institutions studied in both projects were regionally accredited so they are not typical of two-year for-profit institutions.

Bailey, Badway, and Gumport (2001) came to seven broad conclusions relating to the comparison:

³ In the past, proprietary schools were criticized for being “diploma mills” or for providing an inferior education simply to garner federal loans and grants. Changes in 1992 in the Higher Education Act ended many of these abuses. See Bailey, Badway, and Gumport (2001) for a discussion of this.

1) The most important distinction had to do with the goals and mission of the different types of colleges. The for-profit college conceptualized its mission in much narrower terms than any community college. Its goal is to prepare students for careers in a very limited number of technical areas. This goal is only one among dozens of objectives and functions of community colleges. In general, the for-profits use a much more focused strategy while community college missions continue to proliferate.

2) A second fundamental difference concerned the nature of an academic culture. Community college faculty tend to have a “collegiate” view of their institutions and to think of themselves as more or less traditional college faculty. At the for-profit college, the tradition of shared governance and faculty professional prerogatives was much weaker.

3) The curriculum development process at the for-profit was centralized. Community college departments and individual faculty members have much more responsibility for program and course development.

4) The for-profit placed much greater emphasis on degrees. Faculty and administrators emphasize that they have programs that lead to degrees and that the various parts of those programs fit together. In contrast, community college degree programs tend to be much less structured, and community colleges are much more likely to argue that many of their students do not want degrees and instead seek specific skills that can be learned in one or a small number of either credit-bearing or non-credit courses.

5) In terms of instruction, the technical training, and even some of the academic courses at the for-profit, made more use of labs and tended to tie their academic courses to practical applications and to the occupational curriculum. At the for-profit, the

professors worked to relate the academic to the technical learning. Some of these things were also happening at the community colleges, although, consistent with the much more decentralized structure, there was much more variation.

6) Finally, student services such as admissions, counseling, and career placement were more integrated and better-developed at the for-profit than at the comparison community colleges. The for-profit placed more emphasis on job placement and tracking students after they had graduated or left.

Many of these overall conclusions were supported by the views of one community college faculty member who had previously worked at the for-profit. He believed that the quality of education at the community college was just as good but that the for-profit had four specific advantages compared to his college. First, it could be more responsive in academic program change, whereas bureaucracy hampered the community college. Second, the for-profit provided access to a more extensive program-specific career network. Third, in the specific substantive areas, the for-profit provided focused training widely recognized by industry as meeting their needs. This community college where he worked was actively trying to strengthen its collaboration with industry. And fourth, the for-profit simply had more advanced computers and technology in general, giving students better access to computers and facilitating the most up-to-date technical training.

The Deil-Amen and Rosenbaum study confirmed some of these conclusions. Their work, published in two papers, makes two broad points. In the first paper (Deil-Amen and Rosenbaum, 2003a) they argue that counseling and student services are much more structured in the for-profits. Students have much fewer choices, are required to see counselors, and student progress is tracked carefully. In broad terms, this is consistent with the findings of the Bailey, Badway, and Gumport (2001) report. The plethora of

choices and the difficulty of finding out information and obtaining guidance at community colleges are not serious problems for students whose families, social networks, and other resources can provide information and guidance and can help them navigate the confusing environment. However, according to these authors, the more structured system with much fewer choices works better for first-generation college students with few social and financial resources.

In a second paper, Deil-Amen and Rosenbaum (2003b) argue that public community colleges rely on their reputation as colleges (their “charter”) to communicate the skills of their graduates to prospective employers. In contrast, the for-profits work assiduously to build relationships with employers to facilitate graduate placement. Bailey, Badway, and Gumport (2001) also found that the for-profit college focused more effort on job placement than the comparison colleges.

These enhanced services should lead to higher graduation and employment rates for graduates of the for-profit schools. In principal, these conclusions can be tested empirically. I have already presented some very tentative data that are at least consistent with these hypotheses. Minority students are somewhat more concentrated in the for-profits and the degree-to-enrollment ratio is higher for the for-profits. Bailey, Badway, and Gumport (2001) report that the for-profit institutions in their study did publish data on their websites on the employment experience of its graduates, and these data suggest that the large majority of graduates got jobs at good salaries. Indeed, in some programs 99 percent of graduates who looked for work found jobs in areas related to their education within six months of leaving the college. Unfortunately, no similar data were available for the comparison community colleges. Therefore, these data are only suggestive of higher graduation and placement rates. A more definitive test would

require longitudinal unit record data. While there are some data from the National Center for Education Statistics, the sample sizes are not large enough to discern a for-profit effect on completion or subsequent employment and earnings.

Perceptions and Reactions

What are the perceptions of community college administrators about potential competition from the for-profit sector? In this section we draw on two sources of information. The first comes from the comparison colleges in the Bailey, Badway, and Gumport (2001) study. The second source is from results of fieldwork carried out at six community colleges for a project by the Community College Research Center.⁴ At those colleges, presidents, other administrators, and faculty were asked to list their competitor institutions. These results are displayed in Table 5. The table first lists all of the institutions identified by administrators at the college as creating the most significant competition for the community college. The second panel lists all other mentioned competitors.

In only one case did community college personnel identify a local for-profit institution as among the most important competitor. In all but two cases, community college staff cited the local four-year *public* college or university. One exception was a very academically oriented community college in New York City, and the staff there perceived a local, private, not-for-profit college as providing the most serious competition. Two colleges said that both local four-year public and local community colleges were the most important competitors, and one listed a four-year public and a local private not-for-profit.

In reviewing the perceptions of community college personnel, it is important to note that misperceptions about the for-profits are common at community colleges. Some personnel did not realize that they granted bachelor's degrees and others thought that they did not teach any general or developmental education courses. Community college faculty were convinced that they offered a better, more comprehensive education. They saw the comprehensiveness of the community colleges as an advantage, at least for many students. Community colleges offer a much more extensive variety of liberal arts courses. Even for students who do want a technical degree, community college faculty emphasize that their colleges offer much more opportunities for cultural enrichment, and for a diverse and comprehensive educational experience. The more focused for-profits were not seen as good places for students who do not know what field they want to study. As one community college administrator quoted by Bailey, Badway, and Gumport (2001) argued, "[Our college] is more suited to allow students to participate in the exploration process of education rather than getting locked into a program before they have a chance to really know what they want. [Our college] provides students with options, not simply a job."

Thus, community college faculty did not perceive that for-profit institutions were a significant threat to their college's enrollment. They also tended to hold traditional views about the narrowness and general low-quality of for-profit education, although in most cases, they have little knowledge of the specific programs or students at the for-profits.

Administrators at community colleges, on the other hand, usually saw the for-profits as complementary rather than competitive. For example, in each of the sampled

⁴ For a description of the study see Bailey & Morest (2003).

colleges that was located near a University of Phoenix campus, a representative from the University of Phoenix had visited the community college soon after establishing the campus. The purpose of the visit was to set up articulation arrangements to encourage community college students to transfer to the University of Phoenix. Similarly, the DeVry colleges in Chicago publish on their websites detailed lists of Chicago City Colleges courses that correspond to lower division DeVry courses. The community college administrators suggest that transfer to the for-profits (and the private not-for-profits) is easier than to the public four-year schools. Thus, community college administrators were much more aware of the four-year for-profits than those in the two-year sector. (They had little awareness of the prevalence of associate degrees within the four-year schools.) This is perhaps not surprising since it is the four-year, regionally accredited institutions that have, in general, attracted the most attention. These are, after all, the colleges that have been tracked and described in the pages of the *Chronicle of Higher Education*, other publications likely to influence community college personnel, and the popular press in general.

In the last two years, political and demographic events have further reduced the potential for anxiety about competition from the for-profits among community college administrators. Enrollments have increased as a result of the sharp growth of college-aged students, the influx of immigrants (in some areas), and drops in state financial support. In many states, these increases have not been accompanied by increases in state funding, either because funding formulae in some states are not based on enrollments, or because state budgets have simply not kept up with enrollments. Some community colleges are in effect turning away students simply because the classes that students want or need are filled. Even if revenues are sensitive to enrollments, capacity may become a

problem, and capital expenditures are constrained in times of fiscal stress. One effect of these developments is that community colleges, at least in their credit programs, are increasingly serving younger, more traditional-aged students. In the end, this is their preferred market. (The average age of community college students has been dropping for the last three years.) Thus, to the extent that the for-profits target older, non-traditional students, the direct competition between community colleges and for-profits is further reduced. Finally, most community college administrators believe that the large tuition differences continue to provide a significant buffer between their colleges and the for-profits.

Given that competition from the for-profits is not a major cause of anxiety among community college faculty and staff, it is perhaps not surprising that the colleges have not made significant structural changes in their credit programs in response to the growth of the for-profits. Since the apparently successful for-profit model is based on a focused strategy that limits institutional goals and missions, one potential community college response might be to try to move towards a similar focused approach. But overall this is not happening. If anything, colleges are taking on more missions (Bailey & Morest, 2003). Nor are colleges reducing (at least in their credit programs) their emphasis on academic education. To the contrary, college personnel, especially faculty, see the array of choices and the important role of academic education as a significant advantage *vis a vis* the for-profit competitors. In terms of the relative number of faculty members and course offerings, community colleges have either maintained or strengthened their emphasis on academic and general education over the last two decades (Morest, forthcoming). Other trends, such as the high-profile growth of honors programs and the growing movement for community colleges to offer baccalaureate degrees, suggest that

community colleges, for better or for worse, are increasingly seeking to follow a traditional academic collegiate model, rather than a focused occupational or technical model.

Non-credit instruction: The reaction of community colleges to potential competition in non-credit instruction is more complicated. Over the last several years, community colleges have enthusiastically developed programs to serve the workforce development needs of local employers and workers through customized training and non-credit programs. According to the National Household Education Survey, non-credit “job related” enrollments at community colleges and public two-year vocational schools grew by 16 percent between 1995 and 1999 to over 3.3 million students.⁵ In 1999, another 4.3 million students were enrolled in other types of non-credit courses at these institutions. Overall in 1999, as many non-credit as credit students were enrolled in public community colleges and vocational schools.

Community colleges have moved into these activities for several reasons (Bailey, 2002; Dougherty & Bakia, 2002). Certainly a search for resources has been a primary motivation, although the relationship between non-credit offerings and net resources is not straightforward. Non-credit/workforce development activities may generate some financial surpluses for the college and, if they do, one advantage is that presidents often have more discretion over their use than they do over other sources of revenue. On the other hand, in calculating surpluses from these activities, colleges rarely take account of fixed or capital costs. In some cases, customized training is paid for by state economic development funds that are, in effect, public subsidies to colleges (the money goes from

⁵ These numbers from NHES were calculated by the author.

⁶ There are certifications in other fields, but the IT certifications attracted the most attention.

the state through the business to the college). Alternatively, colleges also derive political benefits from workforce development. Such activities develop partnerships with local businesses and sometimes labor elites, which can strengthen the position of the colleges with state and local legislatures.

Workforce development activities often have a high profile at community colleges and presidents are often proud of them as expressions of the college's commitment to serving the diverse needs of the community. To what extent are these activities threatened by for-profit providers and how are community colleges reacting?

While the for-profits are in some sense the new participants in the credit market who are perceived to be threatening the established providers, the community colleges are the outsiders in the world of non-credit job-related training. The private sector is already deeply involved with non-credit instruction, perhaps most obviously through training that takes place in workplaces that is either carried out by company training departments or by private consultants. Indeed, community colleges are minor players among workforce training institutions. According to the NHES, over 3 million people report receiving non-credit job-related training or education from community colleges and public two-year vocational schools. But six times that number (over 19 million) report receiving job-related education from business or industry. Even professional associations and labor unions (as a group) provide more non-credit training than community colleges.

Thus, to the extent that community colleges are active in non-credit markets, they have already been competing with for-profit providers. (The four-year colleges are also extremely active in non-credit training as well.) This is certainly part of the explanation for why non-credit programs at community colleges are often operated separately from

the credit programs and operate more on a business than an academic model—that is they do not adhere to semester scheduling, courses are often taught by industry professionals, the classes take place in a variety of locations, they can be organized and eliminated on short notice, and they have little or no commitment to academic or general education. For the most part, they are run completely separate from the credit programs.

Unfortunately, the data on these activities will not allow us to come to any definitive conclusions about for-profit competition. First, we do not have a good sense of the overall size and importance of these activities at individual colleges. Do they generate surpluses or do they lose money? How valuable are the political benefits that they engender? Indeed, we do not have a sense of the nature and strength of the growth of for-profit competition for non-credit activities. The non-credit training reported by NHES represents a great diversity of activities and it is not clear what percentage of them compete directly with potential community college offerings. Most college presidents see potential for growth in non-credit activities and it would not be surprising if some colleges turned to this source of revenue as state funding drops. A major push towards expansion might reveal more obvious competition with other providers.

Community College Response to the Growth of Vendor Certification

We can get some sense of the response of community colleges to potential competition from for-profit providers and new forms of educational delivery by examining the involvement of the colleges in preparing students for information technology (IT) vendor certification exams. IT certifications became a prominent and controversial issue in the late 1990s.⁶ The certifications were based on passing specific assessments designed by corporations such as Microsoft and Cisco. Students could

become certified as particular types of technicians and engineers by passing the certification exam independent of how they learned the knowledge and skills assessed in the exam. These potentially represented a profound threat to traditional accredited educational institutions since they cut the link between those institutions and credentials. The 2000 publication of a report by Clifford Adelman, entitled *A Parallel Postsecondary Universe*, increased interest and anxiety about this trend. Adelman emphasized the growing importance of certifications and the involvement in preparing students for those certifications of corporations and other organizations that were not traditional educational institutions.

Moreover, IT-related instruction, both in the credit and non-credit areas, has been an important source of enrollments for community colleges. Thus, the colleges potentially faced a double threat: first to a high-profile occupational area that generated significant enrollments and second to the necessary link between the services that they provide (classes and other types of formal instruction) and the credential that certifies competence (the degree or certification). How did the colleges respond to this potential threat?

This section of the paper is based on a study of certification in fifteen community colleges in seven states carried out by the Community College Research Center (Jacobs, forthcoming). Community colleges have certainly responded to these developments. All fifteen colleges had adopted some form of IT certification programs at their institution, but there were many patterns of course delivery. In all cases, courses to prepare students for certifications did not offer credit. However, in most cases, this type of instruction was subsequently also introduced into the credit courses. Offering the instruction in both credit and non-credit modes allowed the colleges to serve different constituencies. In

general, the non-credit courses were directed at adults who were either in the industry, or knew exactly what courses they needed to find a job. Many of these students already had bachelor's degrees or in some cases postgraduate degrees. In contrast, younger students, who were beginning their work careers, were found in the more traditional courses.

In some cases, responding to local demand, colleges offered certification preparation even if they lacked the necessary faculty and equipment. A minority of the institutions sought out relationships with private vendors to deliver the training because they lacked the technical expertise. In other instances, the colleges partnered with the technology vendor to deliver the class. For example, in four colleges an outside vendor supplied the instructors and equipment while the college provided the facilities and marketing. The vendor received 70-75 percent of the revenues. College staff members were enthusiastic about these arrangements. As one faculty member stated, "It's a fabulous partnership." A small number of schools were integrating the delivery of these services into their WIA and TANF programs.

Community college administrators tended to see certification preparation as opportunities. There was not a sense of anxiety that a market was being eroded. Indeed, community college staff stated that they believed that the reputation of the colleges as established non-profit instructors with a broad portfolio of college courses was an important advantage, in relation to consultants or other for-profit providers. Price was another advantage. As one administrator stated: "I hate to say this, but they [for-profits] are not actually competing with us because, number one, we charge so much less." On the other hand, in the cases in which the colleges saw these programs as sources of revenue, they charged what appear to be market rates for certification preparation. This

was usually much more than they charge for credit courses or some other non-credit offerings.

Although college staff members were enthusiastic about these programs, few were able to provide information on their effectiveness. No institution, except when mandated by federal programs, kept records on their students to determine if they actually took or even passed the certification examinations. Nor were state departments regulating the community colleges able to provide any data on community college-prepared students. The methodology used to collect the information used in this analysis did not generate information on whether for-profit providers of certification preparation kept this type of information. As pointed out earlier, the few studies of for-profit colleges do suggest that they are more likely than public community colleges to track the post-graduation experiences of their students. We do not know whether that holds for certification preparation as well.

In the end, initial anxieties that certifications would, in effect, replace traditional credit-based instruction have not been born out. The collapse of the dot com bubble is one important factor. Colleges reported a significant drop-off in enrollments after 2000. Also, college staff perceive the non-credit certification preparation courses as appropriate for adults, many of whom already have degrees. That is, high school graduates are not bypassing college, prepping for assessments, and entering the labor market armed with certifications but without college degrees. From this perspective, certifications are most effective for those who already have degrees or as part of a degree program. Research by Carnevale and Desrochers (2001) also suggest that certifications are complementary to, rather than competitive with, traditional degrees.

Thus, during the late 1990s, community colleges have responded to the growth of interest in IT certifications. They have done so using a variety of approaches. Which strategy they chose depended on their own staff and facilities and the nature of local demand. This response has been incorporated into the existing structures of the college, characterized by more entrepreneurial and flexible non-credit programs and traditional credit-bearing degree programs. The incorporation of material for IT certifications has influenced some of the content of degree programs, but there has been no significant change in the structure or pedagogy of those programs. Administrators do not perceive significant competition between the credit and non-credit markets in these fields, so credit enrollments are not threatened. They appear to believe that they can compete effectively in the non-credit market. Overall, the colleges see the growth of the importance of certifications as presenting opportunities, rather than an opening for for-profit providers to siphon off community college enrollments.

Conclusions

In 2003, competition from for-profits is not a major preoccupation of community colleges. The for-profit market share has grown slightly, although for-profits still account for less than 5 percent of the enrollments in the two-year sector. For the credit programs, college administrators perceive other public sector institutions as representing more significant competition. Moreover, it is perhaps not surprising that the colleges are not preoccupied with competition in an era when demographic trends are swelling college enrollments while state funding is dropping. In many states, increased enrollments are a decidedly mixed blessing.

Community college personnel are much more aware of the four-year for-profits than those in the two-year sector, and they tend to see the four-year institutions such as DeVry and the University of Phoenix as complementary rather than competitive. The significant number of associate degrees granted by four-year for-profit institutions does not seem to create anxiety among community college personnel.

There is some evidence that the for-profits provide a more structured environment with more comprehensive and coordinated student services. One reason that they can do this is that they have a much more focused and limited mission. There is less emphasis on academic or general education, students have fewer choices, and counselors and job placement personnel can be more specialized. However, community colleges are moving to emulate this model. In addition, there is evidence that community colleges continue to strive to at least maintain the extent to which they adhere to a traditional collegiate model. Many community college faculty believe that this is an important factor that sets their institutions apart from the for-profits. One could see this as an inflexible and backward-looking unwillingness to respond to changing markets or a principled commitment to preserving the broader goals of a liberal education.

Competition in the non-credit market is different. In contrast to the situation in for-credit markets, community colleges are relatively minor players in the non-credit work-related market. On-the-job training, vendor instruction, and other forms of private sector training dwarf these activities at community colleges. Thus, there is not a sense that the colleges' established interests are threatened by upstart for-profit institutions. From this perspective, almost any part of this market that colleges can acquire seems like a plus. And indeed for a variety of political and financial reasons, for at least two decades, many community colleges have sought to increase their work with local

employers and their non-credit workforce-related offerings. Moreover, throughout this time, the non-credit offerings at community colleges have had more in common with a for-profit model than the credit programs.

Certainly the most significant competition faced by community colleges in 2003 is the competition for public funds with other public activities and taxpayers. In the short to medium term, this financial crisis poses a greater threat to community college enrollments and to their broader public purposes, including the access mission, than competition from the for-profits.

Nevertheless, we can speculate about whether the current fiscal problems in many states will eventually expose community colleges to greater competition from the for-profits. One possibility is that the current budget restrictions may encourage colleges to seek out more traditional-aged college students who often have fewer academic and financial problems. Since they require less remediation and auxiliary support services, these traditional students are probably less costly to educate successfully; these students fit most easily into the traditional “collegiate” structures. And unless they expand their capacity, community colleges may also in effect become more selective. The bulge in the college-age population only facilitates these trends. If by doing that the community colleges de-emphasize their service to older and non-traditional students, then those students may increasingly turn towards for-profits. When the baby boom echo passes through the system, as their parents did a generation ago, then community colleges will once again look to non-traditional students to fill their classrooms. This time, they may find that the for-profits are more firmly established in those markets, and that is it is therefore more difficult to follow that strategy.

Trends in tuition at public institutions create even more potential for competition. Community college tuition in many states has risen sharply. This continues a long standing trend in which students and their families are paying for larger a share of the cost of their education at public institutions. Whether this will increase the *relative* price of community colleges depends on what happens to tuition at competitor institutions. It is possible that community college tuition may rise relative to the for-profits but drop relative to four-year public institutions. The intensity of competition between public and for-profit institutions will also be influenced by trends in public tuition assistance programs. The most advantageous situation for for-profits and private non-profits would be one in which operating subsidies to public institutions were cut significantly and partly offset by increases in needs-based public tuition assistance. A recent article in the *Chronicle of Higher Education* reported that despite overall cuts in state expenditure on education, expenditures on financial aid actually increased by nine percent in 2001-2 academic year (Arnone, 2003). In the current political environment, public support for higher education is likely to be increasingly in the form of aid to individuals rather than institutions. Although the for-profits still have only a small share of the two-year market and many community colleges have more students than they can handle, it is certainly time for community college leadership to start thinking about how they will fare in an educational market in with much smaller public-private tuition differentials.

References

- Adelman, C. (2000). A parallel postsecondary universe: The certification system in information technology. Washington DC: U.S. Department of Education.
- Arnone, M. (2003, May 2). Most states increased spending on student aid in 2001-2, survey finds. *Chronicle of Higher Education*, A32
- Bailey, T. R. (2002). Community colleges in the 21st century: Challenges and opportunities. In P.A. Gram & N. Stacy (Eds.), *The knowledge economy and postsecondary education: Report of a workshop* (pp. 1-10). Washington DC: National Academy Press.
- Bailey, T., Badway, N., & Gumport, P. (2001). *For-profit higher education and community colleges*. Paper prepared for National Center for Postsecondary Improvement (Deliverable #0400). Stanford, CA: Stanford University.
- Bailey, T. & Morest, V.S. (2003). The organizational efficiency of multiple missions for community colleges. New York, NY: Community College Research Center, Teachers College, Columbia University.
- Blumenstyk, G. (2000, December 8). How for-profit institutions chase community college students. *Chronicle of Higher Education*, A30
- Burd, S. (1998, September 4). For-profit trade schools win new respect in Congress. *Chronicle of Higher Education*, A47.
- Carnevale, A. & Desrochers, D.M. (2001) *Help wanted...credentials required: Community colleges in the knowledge economy*. Princeton, NJ: ETA Press.
- Deil-Amen and Rosenbaum (2003a). The social prerequisites of success: Can college structure reduce the need for social know-how? In J. Jacobs & K. Shaw (Eds.),

- The Annals of the American Academy of Political and Social Science, Vol. 586*
(pp. 120-143).
- Deil-Amen and Rosenbaum (2003b). *Charter-building at low-status colleges: Charters as mechanisms of labor-market access for two-year college students*. Unpublished manuscript.
- Dougherty, K. & Bakia, M. (2002). Community colleges and contract training: Content, origins, and impacts. *Teachers College Record, 102*(1), 197-243.
- The Futures Project (2000). *A briefing on for-profit higher education*. Providence, RI: The Futures Project, Brown University.
- Immerwahr, J. (2002, October). *Meeting the competition: College and university presidents, faculty, and state legislators view the new competitive academic arena*. New York, NY: Public Agenda.
- Jacobs, J. (forthcoming). Certification, skill standards, and workforce development: Community college response to the knowledge economy. In T. Bailey & V.S. Morest (Eds.), *Community Colleges in the 21st Century*.
- Morest, V.S. (forthcoming). Collegiate education, training, and the developing missions of community colleges. In T. Bailey & V.S. Morest (Eds.), *Community Colleges in the 21st Century*.
- Newman, F. (2001) *Interesting times: The end of the status quo and the rise of the market in higher education*. Providence, RI: The Futures Project, Brown University.
- National Center for Education Statistics (1999). *Integrated postsecondary education data system (IPEDS) institutional characteristics 1997-98 survey*. Washington, DC: Author.

- Selingo, J. (1999, September 24). For-profit colleges aim to take a share of state financial-aid funds. *Chronicle of Higher Education*, A41.
- Strosnider, K. (1998, January 23). For-profit higher education sees booming enrollments and revenues. *The Chronicle of Higher Education*, A36.
- Zeiss, T. (1998). Will our students become theirs? *Community College Journal*, 68(6), 8.