

**WORKING PAPER – COMMENTS WELCOME**

**The Role of For-Profit Colleges in Increasing Postsecondary Completions**

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#### *Abstract*

For-profit institutions of higher education have been in the hot seat for their recruiting practices and questions of quality have reached a crescendo. However, large numbers of students are attending these colleges. For-profits enroll a more diverse student population than any other sector in California, including the community colleges, and about half of their students receive Pell Grants – a smaller proportion than non-profits and similar to the UCs. Not only are a large number of students attending for-profits, a large number of students are graduating from them. I find that in California, more than one in five long-term certificates, associates, and bachelor's degrees in 2010 was awarded by a for-profit institution. These awards focus on career-related fields, such as health sciences, and few are in the traditional liberal arts, such as the humanities, math, or social sciences. As policy conversations in higher education focus on outcomes and increasing educational attainment rates, they must not exclude for-profit institutions in any strategic planning. While there may be much to be critical of regarding for profits, they still educated a huge number of students and these numbers are only growing.

#### **INTRODUCTION**

The Obama Administration has called for the US to have the highest proportion of college graduates in the world by 2020 (Obama, 2009). Focusing on young adults, we would likely need

about 60% of young Americans to have a college degree to achieve this goal (OECD, 2010). Thirty-eight percent of young Californians have a postsecondary degree ("American Community Survey Public Use Microdata Sample," 2009) and if current trends continue, this figure would reach 40% by 2020 (author's calculation). California would have to get 1.3 million more of its young residents to earn a postsecondary degree to reach to the 60% target (author's calculation).

How does California get there – and during a time when public institutions are cutting enrollment due to major budgets cuts? One source estimates that enrollment at public colleges in California dropped by 165,000 over the past academic year (Keller, 2011). Due to funding cuts, the California Community Colleges may face cutting enrollment by 400,000 students (Greenberg, 2011). California State University declared system-wide impaction and cut enrollment by more than 20,000 from 2009 to 2010 – this is even with the assistance of federal stimulus funds and substantial raises in student fees (California State University, 2011). The University of California has increased enrollment of out-of-state students who pay higher out-of-state fees in an effort to fill the gap left by budget cuts (Burnett, 2011; Gordon, 2011; UC Office of the President, 2010).

State-level policy making in higher education is largely absent and the conversations that do happen tend to focus on the University of California, California State University, and the California Community Colleges. The role of private colleges and universities has largely been ignored in these conversations, especially the role of for-profit colleges and universities. For-profit colleges and universities (to be referred to as “for-profits” or “for-profits colleges”) have been in the hot seat for a number of things, including dishonesty in marketing, completion rates, student indebtedness, students' labor market outcomes, and general questions of quality (*Drowning in Debt: Financial Outcomes of Students at For-Profit Colleges*, 2011; Gramling, 2011; Kentucky Office of the Attorney General, 2011; Lederman, 2011; University of Antelope Valley, 2011). As such, the few policy conversations around the for-profits have centered on regulating them. But given the constraints on

public colleges, it seems imperative that the role of for-profits in meeting postsecondary goals be considered.

This proposal sets out research that would support thinking about the for-profit role in Obama's higher education agenda by shedding light on their current role in California. In an effort to understand the role that for-profits play in higher education, this paper examines enrollment and completions at the for-profits, specifically:

#### Enrollment

- How many students are attending for-profits?
- What is the representation of minority and Pell Grant recipients at these institutions?

#### Completions

- How many awards are for-profits producing?
- At what level (short or long term certificates, associates, or bachelors) and in what fields?

### **Literature review**

The literature on for-profits is limited. Much of the previous research was done before the massive growth of the for-profit industry, focuses on their impact on student outcomes, or was funded by for-profits or related interested parties. Little exists that seeks to lay out the basics on who the for-profits are educating before jumping to the next step of what to do with these institutions.

A paper by Tierney and Hentschke (2011) examines the role of California's non-profit and for-profit private institutions in meeting the calls for higher levels of educational attainment. Tierney and Hentschke recognize the gap between what California's public higher education institutions can produce and what California needs to produce to bolster its economy. The paper walks through California's need for more graduates, how the state's demographics may impact its

ability to increase educational attainment, and public higher education institutions' limited capacity before discussing how public policy can encourage private institutions to play a larger role in California's higher education agenda. The only figures the paper gives on California's for-profits are their enrollment – as a percent of all higher education enrollments and as a percent of all private enrollments. However, this paper does not explicitly focus on for-profits nor does it seek to understand their current role in the state.

Understandably, the research on for-profits is only beginning to ramp up as their role becomes more prominent. In this paper, I hope to shed some light on the basics of for-profit enrollments and completions.

## **METHODOLOGY**

### **Data**

This study uses the National Center for Education Statistics' Integrated Postsecondary Data System (IPEDS) and labor market projections from California's Employment Development Department (EDD). IPEDS is a census of all US postsecondary institutions and collects data on a variety of institutional characteristics. I have limited the data to include only California institutions. It is unclear if students who take online courses or complete online programs would be included in this count. Representatives from IPEDS state that it depends on how postsecondary institutions decide to report online students to them, but that they do not require institutions to report in any specific way (e.g. based on student residence). For example, the University of Phoenix, a provider of online courses and programs with campuses across the U.S., does not include students from California who take online classes in their California-based campuses. If other national online programs do the same, the IPEDS data for California may significantly undercount enrollments and completions, especially for private institutions.

From this dataset, I measure enrollment by 12-month undergraduate instructional full-time-equivalent (FTE) students and 12-month undergraduate instructional enrollment. Twelve-month counts, unlike fall enrollment counts, better capture the enrollment figures for postsecondary institutions that admit and enroll student throughout the academic year, not just in the fall. FTEs also take into account part-time enrollment; two students enrolled halftime count as a single FTE. However, if we care about the potential for completions, we may want to consider enrollment or headcount rather than FTEs. A student enrolled part-time in a program will still count for one award upon completion. The only sector where this may not be the case is at California's Community Colleges, who enroll a large number of part-time students who are not award-seeking; they may be seeking to tune up some work skills, taking a foreign language before traveling abroad, or simply getting exercise by enrolling in a physical education course. However, all other California's higher education sectors only enroll students who are seeking to complete an award. As such, I present both FTEs and headcount enrollment figures.

To understand the role of the different sectors in California's higher education arena, I have broken down California's postsecondary world into seven sectors: the California Community Colleges (CCC), the California State Universities (CSU), the University of California (UC), private non-profit institutions ("non-profits"), and private for-profit institutions ("for-profits"). Two sectors are omitted from this study: administrative units and public less-than two year institutions (e.g. K-12 adult education programs).

I break down undergraduate credentials, or awards, into: short-term certificates, long-term certificates, associate's degrees, and bachelor's degrees. Short-term certificates are awards of less than 1 academic year. Long-term certificates are awards of at least 1 but less than 4 academic years.

For all analyses, I have used the most recent data available, which is usually 2009-10 (“2010”), however, for some variables from this year have not yet been released and I have used 2008-09 (“2009”) data. I note in each analysis what year is used.

## **Methods**

The analyses in this paper are purely descriptive. I compare counts, means, and sums across California’s seven higher education sectors.

## **FINDINGS**

### **Enrollments**

Enrollments have been increasing in all sectors, but at a greater rate for for-profits and CCCs. Since 2000, for-profit FTEs have increased from 73,511 to a high of 379,192 in 2009 with a decline to 284,607 in 2010. From 2000 to 2010, for-profit enrollments increased an average of 29% each year.

[insert figure 1 about here]

For-profits 284,607 FTEs in 2010 account for 13% of the state’s undergraduate FTEs. The 2010 FTE figure for for-profits represents a 25% decrease from 2009, when for-profits were the second largest sector and enrolled 19% of the state’s undergraduate FTEs.

Changing from FTEs to headcount, for-profits are a close third in the most popular destinations for California’s students, enrolling 10% of all students, right behind the CSU who enrolls 11% of California’s students.

So who are these students that are enrolling at a for-profit? For-profits are more likely to enroll Hispanic and black students and less likely to enroll white and Asian students than any other sector in California. For-profits, as a group, are 24% white, 11% black, 9% Asian, 34% Hispanic,

and 22% other. California Community Colleges, often viewed as enrolling large numbers of minority students, enroll 33% white, 8% black, 14% Asian, 29% Hispanic, and 16% other.

[insert figure 2 about here]

For-profits are also enrolling large numbers of Pell-Grant recipients. Fifty-three percent of for-profit students receive Pell Grants. This is smaller than the 58% share of non-profit students that receive a Pell Grant and similar to 52% of students at UCs that receive a Pell Grant. Only 23% of CCC students receive Pell Grants. The low figure of CCCs may be more due to the low cost of the colleges and limited availability of federal financial aid rather than an indicator of students' low-income status.

[insert figure 3 about here]

## **Completions**

While the enrollment numbers are striking, what is at least as important in increasing California's educational attainment rates are completions – how many credentials, the level of the credentials (certificates, associates degrees, and bachelor's degrees), and the field or major of the credentials being produced.

How many completions are for-profits producing? In summarizing total undergraduate completions in Figure 4, I've excluded short-term certificates. However, in analyses where awards are broken down by type, I've included them. The returns to receiving a short-term certificate are minimal, and, as such, should not be included in understanding total undergraduate award production and should not be a part of a higher education agenda for the state (Bosworth, 2010).

[insert figure 4 about here]

Production of long-term certificates, associate's degrees, and bachelor's degrees has been increasing over the past 10 years for all sectors except private non-profit institutions. Over the past ten years, for-profits have seen a 50% increase in the number of these completions. No other sector

has seen as large of an increase. The UCs, CSUs, CCCs, and non-profits have seen a 30%, 29%, 19%, and 4% increase, respectively, over the past ten years.

[insert figure 5 about here]

In 2010, for-profits were the third major producer of these undergraduate awards in the state; the CCC was the largest producer, followed by the CSU. For-profits awarded 56,918 long-term certificates, associate's degrees, and bachelor's degrees, which accounted for 18% of California's production of these credentials.

For-profits are producing a large and increasing share of California's completions but at what level are the completions – certificates, associate's degrees, or bachelor's degrees? For-profits produce a mix of award levels. Unlike California's other sectors, no award level makes up a majority of the completions at for-profits. Short-term certificates make up 44% of for-profit awards (they award more short-term certificates than all the other sectors combined); 28% of for-profit awards are long-term certificates, 16% are associate's degrees, and 12% are bachelor's degrees.

[insert figures 6 and 7 about here]

Clearly, for-profits are a major player in the production of certificates in California. In fact, 59% of short-term certificates and 56% of long-term certificates produced in 2010 were awarded by for-profits. For-profits produced a smaller proportion of California's associate's and bachelor's degrees. In 2010, for-profits produced 17% of the state's associate's degrees and 7% of the state's bachelor's degrees.

[insert figure 8 about here]

We see that for-profit institutions are a major player in the state, producing a majority of California's certificates, a significant share of the state's associate's degree, and a smaller share of the state's bachelor's degrees. However, in what fields are these credentials awarded? For-profits produce the largest number of awards in Health Professions and Related Programs. Fifty-two

percent of for-profit awards were in Health Professions and Related Programs; 15% were in Personal and Culinary Services; 9% were in Business, Management, Marketing, and Related Support Services; and 5% were in Visual and Performing Arts.

[insert table 1 about here]

Looking more closely at the awards in Health Professions and Related Programs, 63% of the awards were short-term certificates, 25% were long-term certificates, 10% were associate's degrees, and 2% were bachelor's degrees. More than a third of these awards were training to be a medical-clinical assistant. Other popular awards were: pharmacy-technician assistant (8%), dental assisting-assistant (7%), licensed practical-vocational nurse training (6%), and massage therapy-therapeutic massage (6%).

[insert figure 9 about here]

[insert figure 10 about here]

For-profits also produce a large number of credentials in Personal and Culinary Services; Business, Management, Marketing, and Related Support Services; and Visual and Performing Arts. For-profits are by large the state's largest producer of awards in Personal and Culinary Services, producing 15,128 credentials in this field, or 83% of the state's awards. Fifty-six percent of these awards were long-term certificates, 36% were short-term certificates, 8% were associate's degrees, and 1% were bachelor's degrees.

For-profits, like all sectors in California, produce a significant number of credentials in Business, Management, Marketing, and Related Support Services. The 9,401 awards in this field make up 18% of the state's total in this field. Unlike the credentials in healthcare and personal and culinary services, for-profits' credentials in business are largely bachelor's degrees. Fifty-two percent of the awards in Business, Management, Marketing, and Related Support Services were bachelor's

degrees, 32% were associate's degrees, 13% were short-term certificates, and 3% were long-term certificates.

For-profits are the second largest producer of credentials in Visual and Performing Arts, producing 5,241 credentials, or 26% of the state's awards in this field. Forty-seven percent of these awards were associate's degrees, 36% were bachelor's degrees, 12% were short-term certificates, and 5% were long-term certificates.

[insert figure 11 about here]

Given the career focus on for-profits' awards, it is crucial to understand if these awards are those that are most needed. Will they help sustain California's economy and will they assist students receiving these awards to advance their careers as they expect? To understand this, I compare the for-profit completions with California's Employment Development Department's predictions of jobs with the most openings.

[insert figure 12 about here]

## **CONCLUSION**

For-profits are a major player in California higher education. As such, any statewide higher education strategic planning must consider the role of for-profits in increasing the state's level of educational attainment. The rapid growth of for-profits demonstrates their ability to respond quickly to growing demand, while California's public institutions have limited enrollment capacity. Moreover, for-profits enrolled more Hispanics than any other postsecondary sector in California. Given the rapid growth of California's Hispanic population, the State's ability to educate Hispanics will largely determine how successful California will be. Finally, the bulk of for-profit completions were certificates and in career-focused fields, and they appear to be in fields that meet labor market needs.

This clear focus on job-related training may be attractive to students and may be useful to the state. For-profits, whether honestly or not, are selling this structured path to a better paying job. The current economic climate and stories of burdensome student debt may lead students to be less risk-adverse in taking the risk, time, and cost of a postsecondary program that will not directly to better labor market outcomes. Whether or not for-profits execute this is beyond the scope of this paper; however this paper does lay the groundwork for further investigation into why so many students, especially underserved minority students, are attending for-profits.

For-profits have taken heat for their marketing practices, the quality of their programs, and their ability to provide students with an education that increases their employability (*Drowning in Debt: Financial Outcomes of Students at For-Profit Colleges*, 2011; Gramling, 2011; Kentucky Office of the Attorney General, 2011; Lederman, 2011; University of Antelope Valley, 2011). While others have written on the policy changes that can improve the regulation and quality of for-profits, only one other paper that I found has focused on the role that for-profits can play in California's higher education agenda (Tierney & Hentschke, 2011). Clearly, there is a great demand for higher education – both by students and by employers. While continuing to work to reform the for-profit higher education industry, the state should also examine how it can utilize for-profits' seemingly limitless capacity to meet student, employer, and society's demands for higher levels of educational attainment.

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Figure 1. Twelve month undergraduate full-time equivalent of students by sector in California, 2000 to 2010

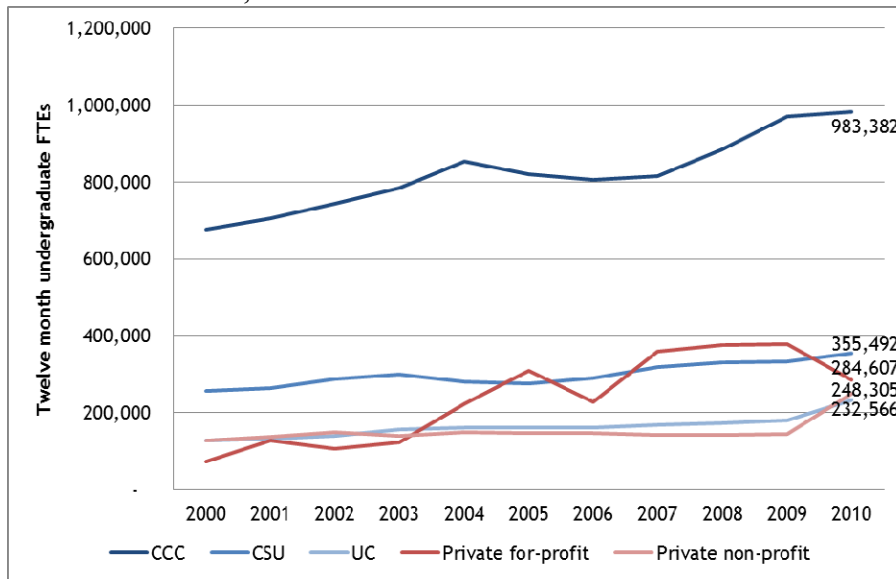


Figure 2. Racial, ethnic breakdown of undergraduate enrollment by sector in California, 2010

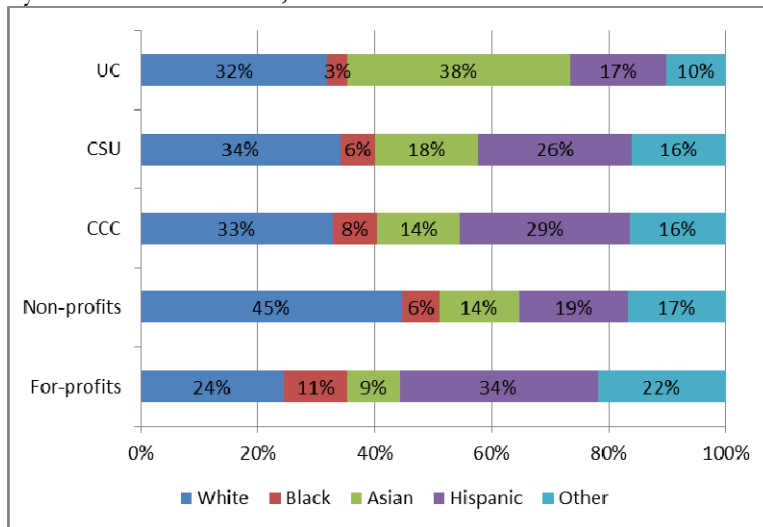


Figure 3. Percent of student population that receives a Pell Grant by sector in California, 2009

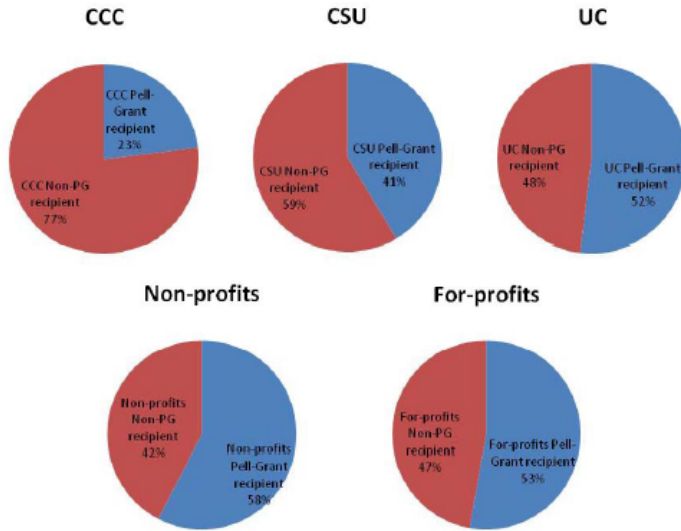


Figure 4. Number of long-term certificates, associates degrees, and bachelor's degrees awarded by sector in California, 2000-2010

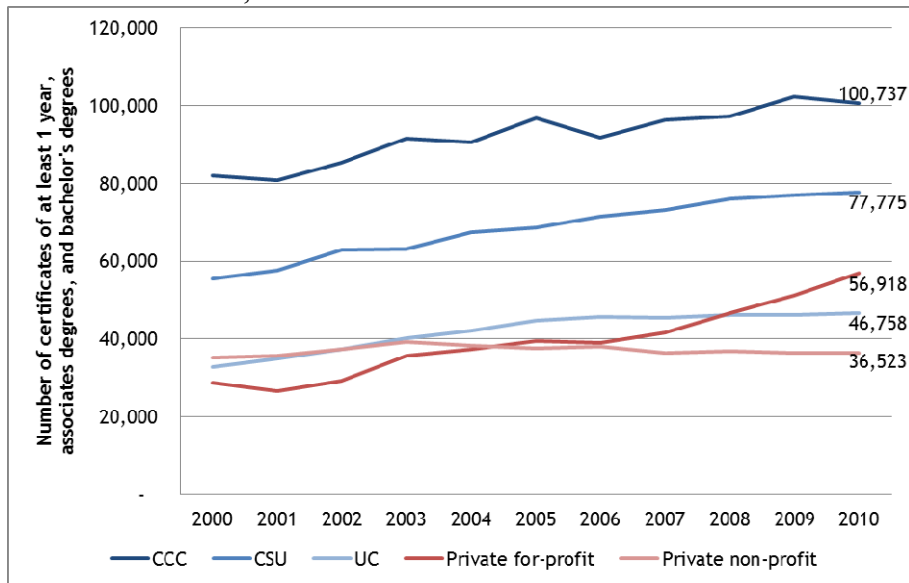


Figure 5. Number and percent of credentials awarded by sector in California, 2010

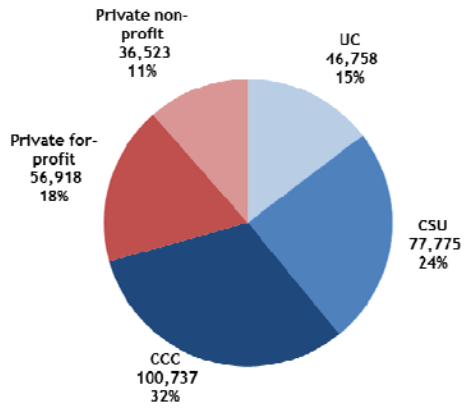


Figure 6. Number of awards produced by level of award and sector in California, 2010

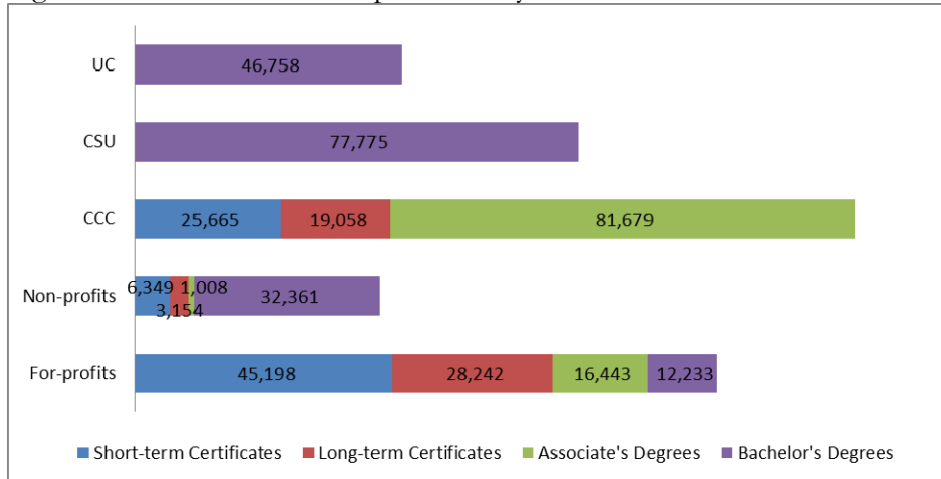


Figure 7. Breakdown of awards by type for California's for-profit institutions, 2010

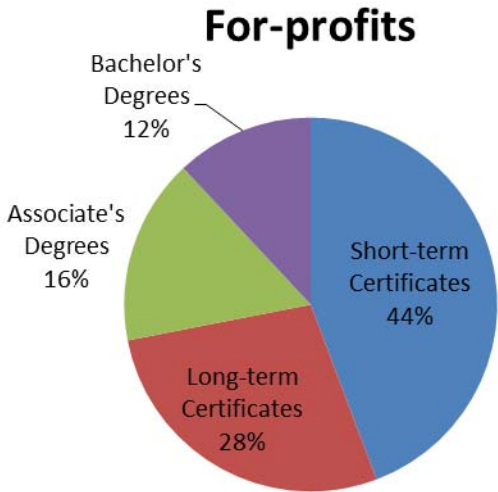
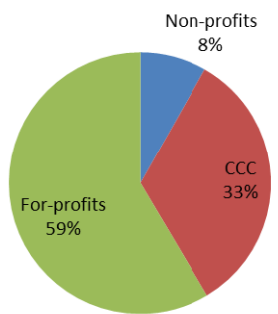
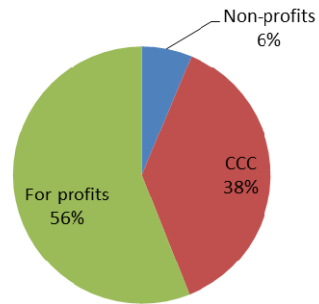


Figure 8. Percent of credentials awarded by level and sector in California, 2010

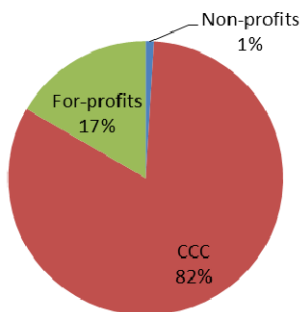
#### Short-term Certificates



#### Long-term Certificates



#### Associate's Degrees



#### Bachelor's Degrees

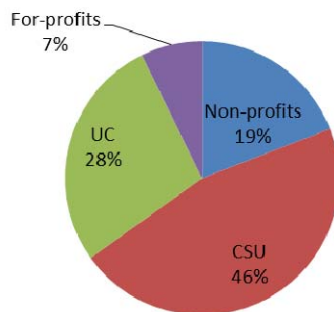


Table 1. Breakdown of fields that for-profits award credentials

Field	Completions			
	incl. short-term certificates		excl. short-term certificates	
	#	%	#	%
Health Professions And Related Programs	53,230	52%	19,967	35%
Personal And Culinary Services	15,128	15%	9,693	17%
Business, Management, Marketing, And Related Support Services	9,401	9%	8,205	14%
Visual And Performing Arts	5,241	5%	4,637	8%
Mechanic And Repair Technologies/Technicians	4,016	4%	3,496	6%
Engineering Technologies And Engineering-Related Fields	3,440	3%	2,294	4%
Computer And Information Sciences And Support Services	3,372	3%	2,734	5%
Homeland Security, Law Enforcement, Firefighting And Related Protective Services	2,488	2%	2,264	4%
Construction Trades	1,767	2%	737	1%
Communications Technologies/Technicians And Support Services	1,514	1%	1,154	2%
Legal Professions And Studies	935	1%	604	1%
Psychology	275	0%	275	0%
Transportation And Materials Moving	240	0%	-	-
Communication, Journalism, And Related Programs	239	0%	183	0%
Family And Consumer Sciences/Human Sciences	194	0%	177	0%
Science Technologies/Technicians	152	0%	152	0%
Precision Production	124	0%	110	0%
Parks, Recreation, Leisure, And Fitness Studies	77	0%	77	0%
Biological And Biomedical Sciences	60	0%	20	0%
Engineering	55	0%	55	0%
Liberal Arts And Sciences, General Studies And Humanities	51	0%	17	0%
Architecture And Related Services	45	0%	45	0%
Multi/Interdisciplinary Studies	31	0%	-	0%
Public Administration And Social Service Professions	20	0%	20	0%
Education	20	0%	1	0%
Mathematics And Statistics	1	0%	1	0%
English Language And Literature/Letters	-	0%	-	-
Foreign Languages, Literatures, And Linguistics	-	0%	-	0%
<b>Grand Total</b>	<b>102,116</b>	<b>100%</b>	<b>56,918</b>	<b>100%</b>

Figure 9. Number of credentials awarded in Health Professions and Related Programs by award type and sector in California, 2010

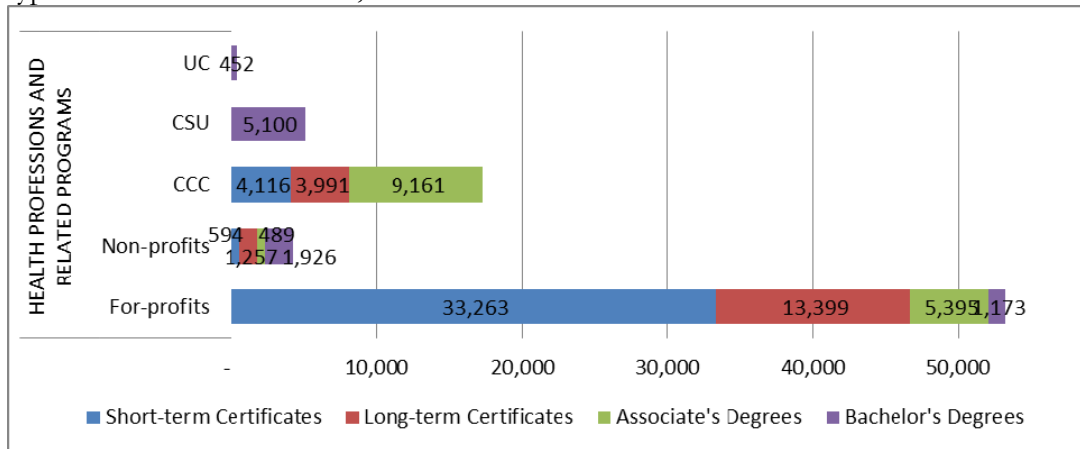


Figure 10. Breakdown of for-profit credentials in Healthcare Professions and Related Programs in California, 2010

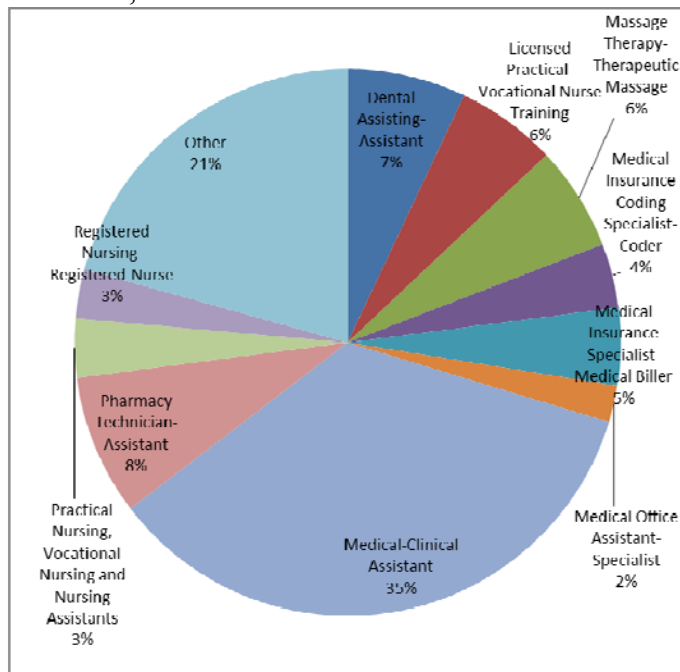


Figure 11. Number of credentials awarded by award type and sector, 2010, in: Personal and Culinary Services; Business, Management, Marketing, and Related Support Services; and Visual and Performing Arts

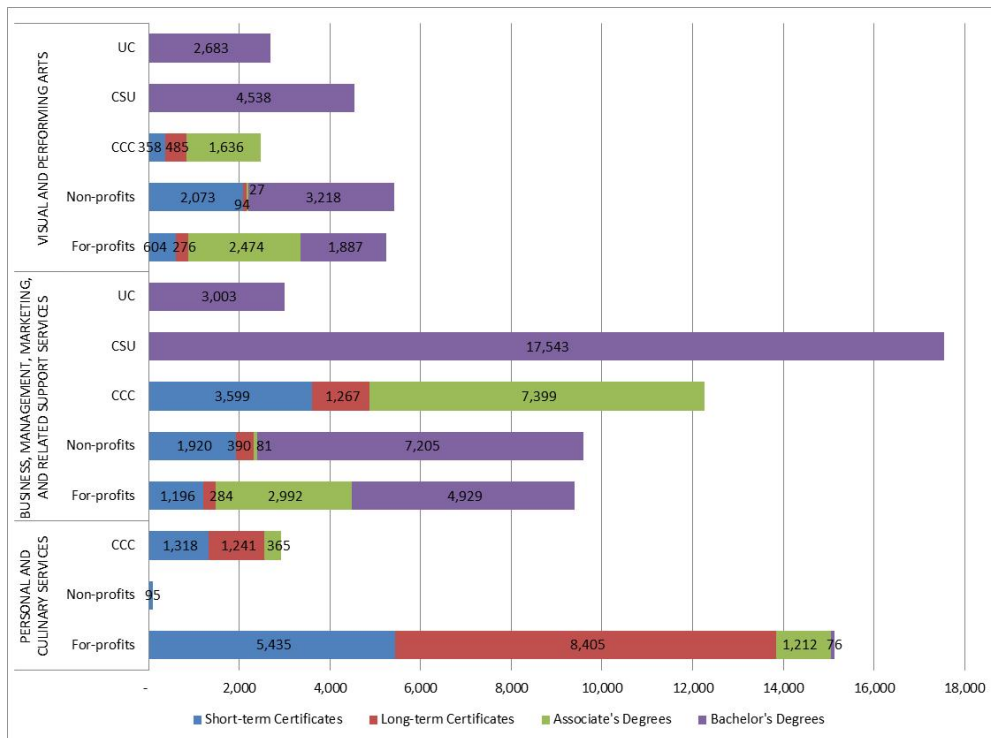


Figure 12. For-profit awards in high need fields.

Occupation	Projected average annual job openings (2008-18) <sup>1</sup>	Average annual for-profit awards in related fields (2009-10)	Awards as a percent of openings
Registered Nurse <sup>3</sup>	10,210	1,069	67%
Veterinary Tech	570	13	24%
Respiratory Therapist	560	135	100%
Dental Hygienist	860	48	38%
Biological Tech	620	128	27%
Health Information Tech	630	224	50%
Diagnostic Medical Sonographer	180	34	38%
Radiologic Tech	570	180	106%
Licensed Practical/Vocational Nurse	3,340	971	38%
Medical Secretaries	3,300	124	5%
Paramedic/ EMT <sup>4</sup>	730	1947	281%
Surgical Tech	480	33	9%
Fitness Trainer	1,450	113	10%

Notes:

<sup>1</sup> California Employment Development Department, *Fastest Growing Occupations 2008-2018*. Listed are the subset of occupations with Education and Training Levels 6 (Associate Degree) and 7 (Postsecondary Vocational Education)

<sup>3</sup> Certificate programs in registered nursing are either aimed at preparing students who are already licensed vocational nurses to meet RN licensing requirements, or at preparing students new to nursing to meet RN licensing requirements without completing all the general education requirements of an associate degree

<sup>4</sup> The certificates awarded in this field include many very short-term, low-unit certificates that likely represent skill refreshing/upgrading of current paramedics/EMTs rather than preparation of new entrants to the field