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Study compares labor market returns to for-profit schools and community colleges

- **The U.S. government, along with several states, increased oversight of the for-profit school industry in response to “abusive practices” such as false promises to students of future earnings and employment opportunities**
- **For-profit schools and community colleges often offer different types of certificate and associates degrees programs**
- **New study finds large income increases for enrollees at both types of institutions, justifying the costs of even the relatively more expensive for-profit programs**

As the relative earning potential for high school graduates has declined in the past few decades, many people have enrolled in various types of higher education institutions to increase their income potential. Due to high profile instances of abusive practices among some players in the for-profit higher education market, there has been increased public and governmental scrutiny of the value of these and competing community colleges. Christopher Jepsen, of University College Dublin, Peter Mueser and Kyung-Seong Jeon, both of the University of Missouri, as well as Ken Troske, ISFE affiliate at the University of Kentucky, have recently released a study comparing actual earned income of students enrolled at for-profit schools and community colleges to address these concerns.

The researchers look at over 400,000 students at for-profit schools and community colleges in Missouri and find that earnings increase 20-29 percent for enrollees at for-profit schools and 16-27 percent for enrollees at community colleges. In both cases, the increase in

income justifies the cost incurred to students of both types of schools. The authors also show that for-profit schools and community colleges tend to offer different types of certificates and associates degrees – meaning students often decide between either for-profit schools or community colleges, not among both types of institutions.

The authors note, “overall, our results suggest that the universe of students attending for-profit schools and community colleges in this state seem to gain valuable labor market skills, although the benefits are not equally distributed, and, in some cases, the tuition costs are substantial relative to the returns. We have also provided evidence suggesting that the two types of schools serve different students, offer different degrees and fields of study, and are located in different places. This observation suggests that direct comparison of the costs and returns for for-profit schools and community colleges may be misleading. If a student who wishes to pursue a given area of study can attend only a for-profit school, the returns that could be obtained at a community college are not relevant. The more appropriate question is whether those returns are sufficient to justify attendance.”

They continue, “our results do not allow us to reject the reality that some students complete expensive or time-consuming programs and obtain minimal labor market returns. However, these results suggest that, in aggregate, both types of schools provide benefits that outweigh the costs incurred by the students they serve. For this reason, there is little basis for restructuring policy in favor of either the for-profit schooling sector or public community colleges.”