

For Immediate Release

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PRIVATE FOR-PROFIT CAREER COLLEGES ACCOUNT FOR MORE THAN
ONE-THIRD OF WORKFORCE SUPPLY AT CAREER COLLEGE EDUCATION
LEVEL IN TENNESSEE

An MTSU study shows that private for-profit career colleges have an economic impact of \$330 million in addition to generating educational opportunities for underrepresented minorities and nontraditional students.

Murfreesboro, Tenn. – February 12, 2007—Tennessee’s private for-profit career colleges play a significant role by supplying nearly 34 percent of the workforce with career-level college education, according to a study sponsored by the Tennessee Association for Independent Colleges and Schools (TAICS) and the Tennessee Department of Labor and Workforce Development.

Changing economic structure and the ensuing increase in demand for skilled workers require businesses to respond to their environment quickly to remain competitive. Private for-profit career colleges are uniquely positioned to respond to the demands in the labor market. Conducted by the Business and Economic Research Center (BERC) at the Jennings A. Jones College of Business at Middle Tennessee State University (MTSU), the report examines the profile of Tennessee’s workforce, trends in employment by educational attainment, supply and demand conditions for the workforce with a career-level college education, profiles and characteristics of private for-profit career colleges, and the economic impact of private for-profit career colleges.

The MTSU study analyzes intergenerational differences in employment by industry and occupations and highlights the implications of the trend for private for-profit colleges.

Murat Arik, PhD, associate director of the BERC at MTSU and lead investigator for the study, pointed out that in addition to enhancing business competitiveness, on average, an additional year of career-level college education leads to an increase in annual earned income by 11.4 percent (\$2,848).

“The contribution of an additional year of career-level college education to earned income varies by race, age cohort, and economic sectors. Those benefiting most are African Americans, aged 35-44 and in knowledge-intensive jobs,” Arik said. “Given the fact that private for-profit career colleges are racially more diverse, have more nontraditional students, and have programs reflecting demands in labor market, the economic impact of these colleges on Tennessee’s economy goes well beyond the \$330 million economic impact of their operations.”

The study also found that compared to students at public and private not-for-profit institutions, on average, enrollees at private for-profit career colleges are more likely to get loans and become more financially burdened. Paul Starnes, president of the Tennessee Proprietary Business School Association and member of the Tennessee Student Assistance Corporation Board, states that “these students are the only population of postsecondary students that cost the state no money and make a substantial contribution to the Tennessee economy but are not even eligible for HOPE scholarship dollars.”

The BERC research solely relies on data from the Integrated Postsecondary Education Data System (IPEDS) to consistently compare statistics across types of educational institutions. The actual number of private for-profit career colleges may be substantially higher than IPEDS indicates. According to Sandra Robert, executive director of the Tennessee Association for Independent Colleges and Schools, the Tennessee Higher Education Commission approved more than 200 private for-profit career schools to operate in Tennessee in 2005, enrolling more than 60,000 students.

Key Study Findings of The Role of Career Colleges in Tennessee

Detailed Characteristics of Tennessee's Workforce and Trend in Employment

- The findings indicate the presence of gender and racial gaps as well as intergenerational differences in terms of percent of workforce with career-level college education.
 - The female workforce (31.18 percent), the African American workforce (32.43 percent), and the younger generation (30.54 percent) are more likely to get career-level college education.
- As of 2005, nearly one-third of the workforce in major sectors has career-level college education.
- Demand for career-level college skills has increased more than 23 percentage points in certain industries over the past three decades.

Value of Postsecondary Education

- Other things being equal, an additional year of schooling in Tennessee at the career college level (on average) generates an 11.40 percent increase (\$2,848) in average earned income for all workers.
- Controlled by experience, an additional year of schooling leads to a higher increase in average earned income for the younger age cohort and African Americans.
- In certain industries, there appears to be a substantially higher premium for an additional year of schooling, such as professional services at 17.00 percent, manufacturing (chemical) at 15.40 percent, utilities at 15.20 percent, healthcare at 14.90 percent, and financial services at 14.80 percent.

Role of Career Colleges in the Tennessee Economy: General Characteristics

- Career colleges represent 35 percent of postsecondary higher education institutions, more than 70 percent of which provide occupational training.
- A total of 366,644 people are enrolled in higher education institutions in Tennessee.
 - **A total of 25,022 (6.8 percent) are enrolled in career colleges.**
- Nearly 61 percent of career-college enrollees are women, compared to 58 percent in other educational institutions.
- Career colleges are more racially diverse than other types of educational institutions.
- Career colleges provide more educational opportunities to nontraditional students than other institutions.
- Career-college students are more likely to receive educational loan aid than students enrolled at other types of institutions.

- Compared to private not-for-profit (27 percent) and public (21 percent) institutions, career colleges derive a substantial portion (85 percent) of their revenues from tuition and fees.

Labor Supply and Demand

- Career colleges account for 34 percent (7,280 students) of career-level college training (21,754) in Tennessee.
- Annual demand for career-level college training in Tennessee is estimated at 28,082, of which 26 percent is met by career colleges, 52 percent is met by other educational institutions, and 22 percent is unmet.

Economic Impact of Career Colleges

- Career colleges spend \$68 million on goods and services in Tennessee.
- Career colleges' payroll in 2005 was \$59.72 million. After-tax disposable income of employees is estimated at \$49.98 million.
- Career-college graduates command substantially higher wages than those workers with less than a high school education.
- Incremental earnings of career-college graduates are estimated at \$65 million, of which \$57 million is disposable income.

Total Economic Impact

The total economic impact of career colleges is

- \$329.64 million in business revenue,
- \$130.24 million in labor income,
- 4,288 jobs, and
- \$10.22 million in state and local taxes.

To view the full report, visit www.mtsu.edu/~berc/studies.html