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COMMUNITY COLLEGES CAN BE ENGINES OF ECONOMIC RECOVERY

With proper funding and innovation, two-year public colleges can handle job training for millions of people.

By David Deming
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Millions of laid-off American workers need new careers, yet the United States gives much less assistance to job seekers than most other countries.

Community colleges could bridge the gap, partnering with employers and innovators in the private sector to train workers for careers that meet local needs and pay middle-class wages.

But they will be unable to do so unless Congress provides financial relief to state and local governments. When they are needed most, these two-year public institutions are themselves in desperate financial straits.

History is repeating itself. In the last recession a decade ago, lower state tax revenues and budget cuts left community colleges unable to meet demand. Unemployed job seekers turned to for-profit colleges, often with disastrous results. Community colleges have seen budget cuts and enrollment declines this fall, while for-profit online training is growing rapidly.

The time for action is now. While the US unemployment rate has fallen from its April peak, an increasing share of job losses are permanent rather than temporary. In August, 3.4 million workers lost their jobs for good, compared with only 2 million in April.

Losing a job is almost always harmful, but the economic impact is far more severe when it occurs during a recession. One study found that job loss during a period of high unemployment led to 20 percent lower earnings more than a decade later, and a cumulative loss of nearly three years of full-time earnings. This is because workers laid off during recessions take much longer to find a new full-time job.

For this reason, job search assistance and training provide an important safety net for displaced workers, yet the United States spends a paltry 0.1 percent of gross domestic product on so-called active labor market policies, less than one-fifth the average of other developed nations. This is unfortunate, because a recent review of more than 200 studies finds that job training has large, long-term effects on employment, especially during recessions.

Public job training programs should, therefore, increase activity during downturns, but the opposite happens. Despite surging demand at community colleges, state spending on higher education fell by 20 percent from 2008 to 2013, in the depths of the Great Recession. Many people who were turned away or placed on long wait-lists found their way to for-profit

colleges, which nearly doubled their total enrollment from 2007 to 2010. We are already seeing a reprise of this pattern in the last few months.

In the last recession, for-profit colleges were generally a bad deal for students. Graduates had lower earnings, were less frequently employed and had greater student debt than similar students who attended public colleges. Outcomes were particularly poor in online institutions.

These problems appear to be intrinsic features of for-profit education. Markets only work well when there is a shared understanding of product quality among buyers and sellers. But in education, quality is amorphous and multidimensional. Students agree to pay up front, and only find out whether they got a good deal many years later. As a result, students are highly vulnerable to the opportunism of for-profit colleges, which are inevitably tempted to increase profits by cutting corners.

By contrast, community college job training programs substantially increase participants' earnings, and because tuition costs are relatively low, they typically provide a good return on public investment.

But underfunding and overcrowding mean that the most valuable community college programs are often unavailable to many students. One recent study found that applicants who randomly won a slot in a lottery to attend a nursing program had 44 percent higher earnings four years later. Yet because of budgetary limitations, only one in eight applicants could attend. Separate research showed that when community college funding has increased, the money has generally been spent directly on instruction and academic support for students, boosting graduation rates.

As public institutions, community colleges are not always sensitive to market signals. For-profit colleges offer a disproportionate share of short-term training programs for medical and pharmacy technicians and other fields where jobs are relatively plentiful. Companies like Google, IBM, LinkedIn, and Coursera have begun offering online courses in computer programming and data science. For programs like these, the profit motive is a strength, rather than a weakness.

Nonetheless, community colleges should be the main place to train America's workers, because they are mission-oriented and well trusted. They can do so in close partnership with local employers and, yes, private providers.

Broward College in Florida offers one promising model. It has built industry certifications into its curriculum, along with internships and other work-based learning opportunities provided by local employers. This program was made possible by the US Department of Labor's Trade Adjustment Assistance Community College and Career Training program, which funded the development of thousands of similar efforts as part of the 2009 economic stimulus package.

A scaled-up version of the career training program, which spent \$1.9 billion to fund work-based learning credentials for more than 350,000 students, could stimulate local economies that have been hit hardest by the pandemic.

In a separate initiative, Google has partnered with more than 100 community colleges to offer training in information technology support careers. Collaborations like this combine private sector innovation and responsiveness to market demand with the support system and local knowledge of community colleges. While such public-private partnerships raise

governance concerns, these can be addressed with full disclosure of financial arrangements and careful monitoring of metrics like graduation rates and post-program earnings.

The lesson is clear. In the aftermath of the Great Recession, the United States outsourced job training to for-profit colleges, and many students are still suffering the consequences. Community colleges need to be at the center of talent development for millions of American workers.