

Good Times v. Tough Times

Schools Are Full, but Jobs for Graduates Are Sparse

By Sean Johnson

The difference between good times and tough times depends on your perspective.

For the education sector, times are generally good. During the past few legislative sessions, Congress poured billions into grant and loan programs. Enrollments are up, as much as 30 percent for some sectors of the industry.

More than 1 million are expected to graduate college and enter the job market this spring. Many will come from schools they attended because of their excellent record at placing students into a particular career.

That's when times will get tough.

Those 1 million college grads will be joined by a portion of the 3.3 million high school graduates who bypass college and head directly into the job market. They will all be looking for employment in an economy that is shedding jobs at the rate of 500,000 or more a month.

The current unemployment rate is more than 8 percent—topping 10 percent in at least four states—and projected to climb even higher.

These two disparate trends are already beginning to collide, and the situation would darken as spring graduates enter the workforce.

“I think there are certainly some potential problems out there,” said John B. Lee, president of JBL Associates, Inc., in Bethesda, Md., a consulting firm specializing in postsecondary education policy research. “In general, the proposition that we could have some tough times for schools and recent grads is an accurate one.”

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“This could be the tsunami that kills them,” said Robert Johnson, executive director for the California Association of Private Postsecondary Schools. “If they do not have their radar up now, working on placement and defaults, it's going to be a disaster for them.”

There is no doubt the job market is going to be spotty for recent graduates;

there will be some sectors that will do better than others, Lee said. That's where schools can leverage themselves to get through the tough times.

Health care, for example, still has a demand that tends to outstrip the number of new employees. Auto mechanics may also fair better, as consumers forgo the purchase of a new car and opt to fix up or better maintain an older vehicle.

Cosmetology grads will also probably find work. But as folks do away with

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extras, it may not be full time and some of the higher end services may not have demand.

"If you look at things that are necessities rather than things consumers consider optional, those are areas where folks

will likely do better," Lee said.

Real estate, technology and other areas may not fair so well. Schools need to be doing the work now, if they haven't already, to prepare for it.

"We've spent a lot of time on this at our director's boot camp," Johnson said. "We need to decrease the dollars we spend on recruitment and increase the dollars for placement."

Schools do seem to be paying attention.

Jeanne Herrmann, chief operating officer of Globe University/Minnesota School of Business, said that in early March, the 14 schools in her system conducted a two-day conference with all of the placements officers to address what steps the schools will take to help graduates.

With rolling graduations producing graduates ready for the workforce four times a year, addressing the problems sooner is in the schools' best interest, she said.

"Ideally, this is something that may have its roots in crisis, but lead to some best practices for us," Herrmann said. "I think we could be looking at a couple of tough years."

Long View

Taking the long view may wind up being the best approach of all, Lee said. While the economy will undoubtedly improve, there is also a generational shift going on.

This is the peak time for the group that came of age during the economic boom. This group is in their 20s and going back to school—many in non-traditional programs. At the same time, baby boomers are beginning to leave the workforce. In a tight economy, others may be displaced by younger, recent graduates who are willing to work for less.

"There will be a lot of competition for jobs," Lee said.

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"Schools will always struggle with that group," Lee said. "It could become grounds for an enterprising lawyer looking for cases."

That possibility has caught the attention of Elise Scanlon, former executive director of the Accrediting Commission of Career Schools and Colleges of Technology—especially since job placement is a marketing tool employed by many schools in the career sector.

"If you have a student that goes to school, does what they are supposed to and does not get a job, they are not going to be happy," Scanlon said. "The strategic schools will be the ones who are thinking far enough out to ramp up the areas where students can be successful."

“Of course, you can’t always predict that,” she said.

In School

It may be tough to predict, but some schools are trying to get a grip on it.

At Globe University, much of the immediate attention has gone to increasing the efforts of the placement staff to identify job opportunities for graduating students. In fact, the schools have increased the number of on-site visits to potential employers that placement are required to make, Herrmann said.

The schools have also placed greater emphasis on its online portfolio system, so that students have samples of their work to demonstrate skills to potential employers.

Additionally, in areas where the job market has tightened—sectors such as information technology—the schools are trying to develop additional post-graduate internships that will help students gain experience and contacts that can then lead to full-time employment.

But the efforts don’t stop there. Herrmann and her staff are doing what some schools would consider unthinkable: they are looking at limiting students coming in the front door.

“It’s a new world for us,” Herrmann said. “But if there is going to be a problem with placement, then maybe we should look at limits on the front end. We still get the rush on the front end, but maybe it will be more targeted.”

These actions may take place out of necessity; Herrmann anticipates them becoming a long-term best practice.

On the Radar

Though many schools may not go to the lengths of Globe University, it does seem many have reacted quickly to the country’s changing economy. Whether its cosmetology, technology

or allied health, many schools have been quick to beef up efforts to help students.

Success still can’t be defined, but the effort seems to be there.

“It’s been on my radar for months,” said Dorothy Soress, vice president of industry relations for Empire Beauty Schools.

On the school level, Empire has ramped up its success dynamics. The school is working with students on their marketing skills. Students are encouraged to bring in their own clients and guests and build up a portfolio.

“The idea is to get the students to go out and market themselves,” Soress said. “We want them to learn what it takes to keep their income constant.”

Empire has also placed an even greater emphasis on having salons sending representatives into the school to meet with students, and for

students to learn how to present themselves and their work. School officials are also bulking up the job shadow and mentor programs.

Students are being exposed to these things much earlier in their program than they used to, she said.

The decision to accelerate came about six to eight months ago as Soress and other school administrators noticed the industry slowing down. The slowdown is not universal, but definitely has some nuances they are trying to make students aware of.

“Places like New York and Boston are not seeing the slowdown, and the budget salons are not feeling it,” Soress said. “Those budget salons are

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great for entry-level, though students may not be working full-time.”

If students are flexible, she said they can find work and establish themselves.

Some of the larger schools are taking a much similar approach.

At Corinthian Colleges, job placements for graduates are being monitored on a weekly basis, said Anna Marie Dunlap, senior vice president of investor relations and corporate communication. That’s no small task with CCI operating more than 100 schools in the United States and Canada, with more than 76,000 students enrolled.

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administrators noticed the softness in the economy about a year ago, said president Greg DeFeo, suggesting that regional factors have kept things from going bad as

quickly as they have in other places.

“We did not go to the economic boom party like the rest of the country, so we don’t have the hangover,” DeFeo said. “About a year ago, we started to revamp the career services department. That allowed the staff to spend more time with employers and students.”

Consequently, the school has been able to strengthen its relationships with potential employers and better prepare students for finding work in a soft economy. They have also made arrangements for at least one member of the placement staff to spend all of

their time “out of the office” visiting with potential employers.

PTI has also taken steps to reduce the number of incoming students in some areas of study if that sector of the economy is struggling.

“It’s never in our students’ best interest for us to flood the market with new graduates,” DeFeo said.

The school has also worked to expose students to a different career path than they may have considered before.

“The Pennsylvania DOT has been in here talking about how to obtain jobs in government,” DeFeo said. “The first casino in the state is opening up this August. They need folks in accounting, security and with computer expertise. They will need about 1,000 employees.”

Watch the Money

As times get tough, schools need to pay closer attention to student loan defaults, said Dick Dumaresq, executive director of the Pennsylvania Association of Private School Administrators. With default rates already accelerating, his association is devoting a large portion of its upcoming conference to dealing with problems created by the contracting economy.

“We are constantly reminding schools they need to have a handle on this,” Dumaresq said.

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Part of the problem for schools is that students can take the maximum amount allowed for loans, even if their tuition is for a lesser amount. If they are unable to find employment imme-

diately, defaults can quickly follow, he said.

“We are doing some lobbying to see if we can give schools some tools to slow down the money,” Dumaresq said. “By law they can take it, it’s an entitlement. But, we think schools should be able to put some hurdles in the process to make sure the student specify the need and understand the risks.”

Dumaresq is uncertain whether such changes will find any traction in Congress, which has ramped up loan limits the past few years. Yet, if a school’s cohort default rate can put its access to Title IV funds at risk, then they should at least have measures to limit the defaults.

“I think we need to be able to ask a student if they really need it and what for,” he said.

Placement Promise

More attention to the front end of the equation will certainly help, but the bottom line is that career schools’ success is based on job placement.

If that falters, everything from accreditation to reputation is at stake.

Scanlon, who previously worked as an accreditor, is concerned that drops in placement could put schools at risk.

“Placement is the point of what we do,” she said. “There is some flexibility built into the standards of most agencies. They may not make an issue of a school being below the benchmark if they find they are still meeting the standard of student achievement.”

But even if the accreditors don’t act immediately, schools should be using

the data to make sure they are adjusting properly to the market conditions and meet the benchmarks, she said.

“Management should be using the information to make improvements,” Scanlon said. “If they see a program that has a problem and they take action, I think most accreditors will accept that.”

If schools run the risk of probation or even losing accreditation, that can mean the end of access to federal loan and grant dollars.

Another reason to pay attention to placement rates:

the potential for litigation. Since career schools exist for career specific training, and schools market that, there could be an opportunity for disappointed students to take out their frustration with a lawsuit.

Still, it is that promise of career-specific education that makes the proprietary sector an important part of the solution for an economy that is struggling, Johnson said. After all, if jobs aren’t attached, why would a student pay the higher tuition to attend a career school?

“There is still job demand, but a lot of people don’t have the skills to fill them,” Johnson said, especially in areas such as allied health. “Our advantage is that we educate to the employer demands. We can be part of the solution in a down economy because we can tailor the student skills to what the jobs demand.”

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