



January 2017 podcast episode transcript

Featuring [Nicole Deterding](#), IRP National Poverty Fellow at the Office of Research, Planning & Evaluation, Administration for Children and Families, Department of Health and Human Services

Hosted by Dave Chancellor

Does it Matter Where You Get Your Two-Year College Degree?

Chancellor Hello and thanks for joining us for the Poverty Research and Policy Podcast from the Institute for Research on Poverty at the University of Wisconsin-Madison. I'm Dave Chancellor.

This is our January 2017 episode, which is the 50th episode in this podcast series and we'll be talking to Nicole Deterding, who is an IRP National Poverty Fellow at the Office for Planning, Research & Evaluation at the federal Administration for Children and Families, which is part of the Department of Health and Human Services.

Deterding and her co-author, David Pedulla of Stanford University, recently published a paper in *Sociology of Education* called "Educational Authority in the Open Door Marketplace" in which they look at how employers make judgments about credentials from "open door" educational institutions, both non-profit two-year colleges and for-profit institutions, when they're hiring.

Deterding explains that for quite some time, sociological research has shown that employers don't really trust credentials from "open door" institutions, which, for the most part, aren't selective in their admissions and have few requirements for previous academic performance.

Deterding It's difficult to know for instance what exactly someone holding an associate's degree in business knows how to do. And we do know also that institutional selectivity matters. When some people are rejected at admission, that selection process offers a shortcut for employers to understand something about the quality of the candidates they're getting. When some people are rejected at admission, that selection process helps. So, research from sociologist James Rosenbaum and others largely in the late 80s and early 90s emphasized the importance of trusted relationships between open door institutions like community colleges and technical training and employers to make sure the degrees mean something. So, really these relationships are really important to how people understand degrees.

Chancellor Since these relationships between institutions and employers are thought to be important, Deterding says that one of the really interesting questions that has come up is how the recent explosion in the number and size of for-profit institutions might matter for those relationships.

Deterding For-profit education has been around for quite some time in the U.S., especially for technical training and certification, so for lower level degrees. You might remember TV ads from 20 years ago for correspondence courses for medical billing and coding. Those have been for-profit degrees for quite some time. But, following laws that loosened the regulation of these institutions and changed the funding that they were able to receive between 1990 and 2010, the number of for profit post-secondary institutions in the U.S. more than tripled from about 300 some institutions to over 1,100. And, in 2012, for profit institutions served 10 percent of U.S. undergrads and received 25% of federal student aid dollars. So, it really was a sweeping change in the U.S. higher education landscape.

- Chancellor I asked Deterding what we know about the demographics of students attending for profit institutions and she said it's a somewhat different group than students who attend other types of institutions, even compared to nonprofit community colleges.
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- Deterding For profit students are older — they're more likely to be underrepresented minorities, they're more likely to have competing responsibilities of family and work, and they're less likely to have sort of good prior academic backgrounds, so we know people may have lots of work experience but the academic content that's delivered in these programs, we don't really know much about. But we do know that they serve a disadvantaged population of students and that they're paying a lot of money for these degrees, sometimes up to 15 times higher than the degree at the local community college. Often the institutions are advertising specifically that these degrees are going to help people get better jobs, so they tend to be in very practical, applied fields — an associate's degree in business is the most popular for profit degree.
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- Chancellor So, getting back to this question of how employers assess credentials from different types of open door institutions, Deterding says there are a couple of economic theories that could give us a hint about what to expect.
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- Deterding On one hand, human capital theory suggests that students invest in going to college because employers value the skills that you learn there, right? So earning a degree represents mastery of concrete skills and if there were big differences in skills between the average graduate from a for profit and a community college, employers would learn that before long because it's in their interest to use the best information possible to make hiring decisions. So, it could be that the finding of no difference between for profit and nonprofit colleges indicates there's no major difference in skills between graduates of these two institutions. On the other hand, the finding could be explained by signaling theory which is another popular economic theory and this theory suggest that regardless of the actual concrete skills that are certified by for profit and nonprofit institutions that a degree from similarly non-selective institutions — they're all open door degrees — send a similar quality of information to employers, indicating they'll perform similarly on the job. So, this theory is more agnostic about the skills that a degree imparts but still assumes that employers have information about the degree granting institutions.
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- Chancellor A third possibility is that, even if potential employees came from institutions with very different graduation requirements, it might be the case that the rapidly changing open door educational landscape could make it difficult for employers to assess the quality of the institutions at all — instead they might just rely on the associate's degree itself. So, Deterding and Pedulla set out test how employers make sense of degrees from different types of institutions.
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- Deterding We designed a new field experiment to better understand how employers evaluate the different types of credentials when hiring for administrative and clerical positions, so we wanted to explicitly test whether they use information about the institution granting the degree or they rely on the bureaucratic distinction of an associate's degree. So, between February and December of 2014, we submitted over 1200 applications to over 600 administrative assistant jobs in three major U.S. metropolitan areas. Our applications were randomly assigned one of four educational credentials — so a high school degree alone, an associate's degree from a local community college, a local for profit institution, or — here's really the twist of this study — a fictional institution, so we just made up a name of an institution. We then compared how employers responded to job applicants who had each of these types of credentials.
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- Chancellor By including a fictional institution in the research design, they were able to learn something about the importance of the type of institution — so whether a college was for profit versus nonprofit — compared to the type of credential or degree earned. Their thinking was that if employers were aware of, or even looked for information about the institutions in their area, there would be a big penalty for applications with a fictional institution in terms of callbacks.
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- Deterding Consistent with previous research, we find similar call back rates for applications with for profit and nonprofit associates degrees, but we also find that employers are equally likely to contact applicants with

Deterding, continued associate's degrees from our fictitious institution. So our first key finding from the field experiment in our study don't appear to consider the institution where a degree was earned in hiring for lower skilled administrative and clerical jobs. And, second, among the full sample of employers in our study, we actually don't find strong evidence for preferences for an associate's degree over a high school degree at all. That's consistent with previous research too and with this idea that for lower skilled jobs, employers may be interested in things other than people's formal credentials. So, we also restrict our analysis to more selective employers, ones who explicitly said that they want college education for the job. And, among employers listing a preference for an associate's or bachelor's degree, the associate's degree holders were called back at a higher rate, but even these employers didn't make a distinction between for profit, nonprofit, or our fictional institutions. So, even among employers who indicated they care about educational credentials, these people were not making distinctions about the institution. So we think that's an extra level of evidence that there's an information problem here.

Chancellor From a practical standpoint these findings may offer useful information for prospective students who are trying to gauge the value of a college degree as an investment.

Deterding In part that depends on the advantages that the degree offers them in the labor market. Since for profit degrees typically cost multiple times what a local nonprofit degree might, prospective students really should understand how employers are evaluating their accomplishment. Our study examines only one part of the hiring process, which is the initial applicant screening and as with prior work we find no evidence that more expensive for profit associate's degrees offer an advantage early in the hiring process. So, if what students are thinking about when they're choosing a degree is that one associate's degree granting school seems better than another and they're paying more because they think that a for profit institution will deliver better employment outcomes, we don't see any evidence of that here.

Chancellor Because their results indicate that employers don't seem to be using information about degree granting institutions -- at least in the initial screening of applications — Deterding says the best opportunities to improve employer understanding of the meaning of a particular credential may be through building stronger relationships between institutions and employers.

Deterding For the institutions themselves, I think there's a lot of opportunity for both community colleges and for profit institutions to build trusted relationships with employers to improve the quality of information that their credentials convey. In our quickly shifting educational marketplace where institutions open and close in quick order, this is likely even more important than previous research from before the for-profit boom had suggested. And I think we also need to learn much more about the availability and quality of career services at community colleges and for profit institutions. I think this is something that students should look into when they're choosing an institution. Looking for what kinds of services are offered, what kind of relationships with employers, because it really seems like those things have the most potential to increase the value of an associate's degree. And, these efforts to make better information flow through the system from colleges to employers might also improve the functioning of the educational marketplace as a whole.

Chancellor Thanks to Nicole Deterding for sharing this work. If you would like to read Deterding and Pedulla's paper, you can check it out in the Sociology of Education journal issue released in July 2016. This podcast was supported as part of a grant from the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation but its contents should not be construed as representing the opinions or policy of that Office or any other agency of the Federal government or the Institute for Research on Poverty.

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