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## The New Economic Development Role of the Community College

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For many years, community colleges have been involved in workforce preparation and economic development in the form of the occupational education of students. But in the last two decades, community colleges have greatly broadened their economic development role to include contract training, small-business development, and local economic planning. These new activities promise to take the community college in a new direction: from an institution focused on educating students to one centered on meeting the needs of business and the local economy.

This Brief analyzes the new role of the community college vis-à-vis five different industries: auto manufacturing, apparel-making, construction, banking, and auto repair. For each industry, we studied at least four community colleges with well-known programs serving that industry. Information was drawn from interviews, site visits, and analysis of documents.

### The New Economic Programs of the Community College

The new economic development programs can be grouped under three main headings:

- Contract training: improving the job and academic skills of current or prospective employees by providing training under contract to employers or government agencies.
- Small business development: assisting new and existing small businesses to modernize their production technologies, improve their management and marketing, compete for government grants and contracts, and secure facilities and administrative assistance at low cost.
- Local economic-development planning: working with local economic development agencies to retain existing industries and attract new ones.

*Contract Training.* Contract training differs from traditional occupational education in that the employer (private or public), rather than the student, is the client. The employer contracts for a specific course or set of courses with the community college, shapes the course content, selects the students, and defines what constitutes success. Because of this deep involvement of employers, the programs are almost always customized to the contractor's requirements in some fashion. Even if a course is not customized in content, it will often be customized in mode of delivery: it may be shorter than a semester, offered on weekends, delivered at the contractor's premises, or use the contractor's employees as instructors (Bragg & Jacobs, 1991; Grubb et al., 1997; Lynch et al., 1991; Palmer, 1990).

Contract training focuses on job skills, but often these skills are not narrowly technical. Training for high performance work involving "lean manufacturing" or "just-in-time" production and continuous quality control requires learning skills in problem-analysis, decision-making, and teamwork that are not firm-specific (Lynch et al., 1991; Palmer, 1990). Moreover, because workers' ability to acquire advanced job skills depends on their basic academic skills, companies often ask community colleges to provide literacy and arithmetic skills as part of their training programs. Thus, although contract training is firm-specific in that a particular firm or consortium of firms contracts for the training, students in contract courses may be learning skills that could well be used outside the contracting firm or even its particular industry.

Over 90 percent of community colleges offer contract training, but it is unevenly distributed. Enrollments in contract training in a 1993-94 survey ranged from three students at one college to 55,000 in another (Johnson, 1995). Although contract-training students made up around 17 percent of total (credit and non-credit) enrollments in the median two-year college, the median revenues from contract training amounted to only one percent of the colleges' revenues (Johnson, 1995).

*Small Business Development.* Community colleges provide small and medium-sized businesses with advice and training in management and personnel practices, marketing, finance, procuring government grants and contracts, installing new

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production technologies and work practices, meeting new government regulations, and training employees. Small-business development centers are sponsored by as many as one-third of community colleges (Lynch et al., 1991). In addition, about seven percent of community colleges operate advanced technology centers, which help small firms keep track of new production technologies and work practices, try them out at factory-like facilities, and then introduce them into the workplace.

Business incubation encompasses all the business services mentioned above but is focused on firms that are just emerging or even still in gestation. Besides providing advice, business incubators also provide low-cost space and administrative support for the first few months or years of a new firm's life. Estimates of the number of incubators sponsored by community colleges run between 25 and 75 (Hernandez-Gantes et al., 1996; Lynch et al., 1991; National Business Incubator Association, 1992).

In a national survey in 1993-1994, tenants of two-year college business incubators rated low-cost space as the service the incubators provided best, followed by clerical/office services. Only ten percent of the tenants said the management assistance was the service the college provided most effectively, only eight percent said it was education and training, and only five percent said it was the technical assistance (Hernandez-Gantes et al., 1996).

*Local Economic Planning.* Several community colleges scan the environment for economic trends, emerging work practices, and new regulations, and pass this information on to employers, government agencies, civic groups, and the public at large. This role is an outgrowth of community colleges' long-standing monitoring of their environment to identify emerging needs for pre-service and in-service training.

Many community colleges have taken this role a step further and have become economic policymakers, actively influencing their locality's response to economic and social trends. These colleges join local economic policymaking organizations and on occasion even convene meetings of local political and economic leaders to develop economic policy. And some colleges have actually lobbied government agencies in favor of certain economic policies.

### **Factors Promoting the New Economic Role**

The origins of the new economic role are as complex as those of traditional occupational education, mixing business demand, government encouragement, and the values and self-interests of community colleges themselves (Dougherty, 1994).

*Business Demand.* Many industries face increasing skill demands requiring an upgrading of training of both current and prospective employees. Driving this demand, in part, is the massive introduction of new technologies and production procedures. Faced with these training needs, many firms have decided it would be cheaper to contract out for employee training (J. Choulochas, personal communication, 1998). Since there are many outside vendors of training, what factors have led employers to increase the community college share of this training market?

A major factor is that community colleges are often cheaper than their competitors, in good part because they receive state appropriations and local tax revenues. Another major factor is the willingness of community colleges to accommodate employers' desires on what, when, and where to teach. This flexibility of community colleges stems from the fact they are charged with serving their communities, which leads them to provide virtually any service for which there is significant demand in the community.

*Government Policy.* To attract and retain industry, state governments have mandated community colleges to play a central role in workforce preparation and economic development and have provided funds to achieve this result. By 1998, 47 states had programs to aid workforce training. On average, community colleges received about a third of these training funds in 1998, but in several states most aid for contract training is funneled through community colleges (Regional Technology Strategies, 1999). In addition, several states have established statewide networks of small-business development centers housed at community colleges.

Meanwhile, the federal government has played a major role in engaging community colleges in contract training. Starting in the 1960's with the Manpower Training and Development Act and the various war-on-poverty programs, many community colleges became involved with providing job training, placement, and counseling for unemployed workers and welfare recipients. This early involvement with federal training programs laid the groundwork for later contracts with businesses. To successfully compete for grants under CETA (Comprehensive Employment Training Act), colleges had to be willing to vary the contents, scheduling and location of courses to suit outside contractors. Ties to business became strong with the advent of the Joint Training Partnership Act of 1982 (JTPA). This federal law mandated that private industry play a central role in guiding job training, operating through local private industry councils that would give out and monitor JTPA contracts. Community colleges received many of these training contracts and often had staff members serving on these industry councils.

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*Internal Motivations.* Community colleges have had strong motives for responding to this external interest on the part of business and government. They have long been sensitive to the changing needs of the community, but the difficult fiscal and enrollment environment in recent years has sharpened their responsiveness. Community college revenues per FTE declined 13 percent between 1979 and 1983, rose steadily until 1989, but then dropped six percent between 1989 and 1992. The decline was particularly sharp in government appropriations per FTE, which dropped ten percent between 1989 and 1992 (U.S. National Center for Education Statistics, 1994).

Meanwhile, enrollments at community colleges stagnated. After growing explosively in the 1960s and 1970s, degree-credit enrollments at public two-year colleges dropped between 1981 and 1985, rose between 1985 and 1992, and then dipped again between 1992 and 1995 (U.S. National Center for Education Statistics, 1998). These declines stimulated community colleges to pursue contract training and other new economic programs. Besides bringing more enrollments and revenues, these new activities promised to yield greater political support, which might prove useful when fighting for higher state appropriations or local tax rates. Community colleges also hoped that contract training would keep faculty and the curriculum up to date with trends in business and provide opportunities for placing students in jobs.

## Consequences for the Community College

### Benefits

*Enrollment Boost.* Contract training has brought in new students. Most immediately, it brings in employed workers who quite often would not be going to college. But then there is a secondary effect. Students who come to the community college to take job-related contract courses on narrowly technical subjects may then decide to get an associate's degree as well, so they take additional general education courses. Others return to the community college on their own, having found college education to their taste (G.M. Armstrong, personal communication, 1998).

*New Revenues.* At first glance, the community college's new economic roles have not brought in much money—a little over one percent of the total operating budgets of two-year colleges offering such training as of 1993-94 (Johnson, 1995). But contract training also brings in non-monetary revenue in the form of new facilities, equipment, training aids, and training for faculty—and these in-kind revenues can often be used to support other programs. Contract training also enhances a community college's connections to political and economic elites.

Businesses strongly involved with the workforce and economic development programs of a college are natural allies when it pushes for a higher tax levy or the passage of a bond issue.

*Keeping Abreast of Business's Skill Demands.* The new economic role has kept community colleges more current with the changing skill demands of employers, resulting in more up-to-date content and pedagogy. Sometimes the communication of business needs occurs by the direct involvement of business people in curriculum development. They act as subject matter specialists who know what skills are needed, while community college faculty function more as curriculum experts who design programs to inculcate those skills.

### Risks

*Mission Redefinition?* There is a danger that community colleges, in their ardent pursuit of a strong connection with business, will lose interest in the traditional task of schools to prepare citizens and not just workers. This risk can be seen in the remarks of directors of contract training operations in a 1993-94 national survey of two-year colleges. The community college receiving the most mention was praised by one observer for being "marketers first and educators a distant second" (quoted in Johnson, 1995, p. 139). A contract training director at another highly praised college said that, "We run our customized training as a business, not an educational entity" (quoted in Johnson, 1995, p. 154).

Because administrators' time and attention are finite, the more they devote to the college's new economic role, the less is available for promoting such traditional missions as education for citizenship, providing access to four-year colleges, and serving under-prepared students. The time and energy necessary to construct and maintain transfer articulation arrangements with four-year colleges or to improve remedial education programs may instead be poured into forging stronger connections with employers.

*Dividing the Community College.* The new economic role of the community college carries the risk of Balkanizing the college. The workforce and economic development programs tend to differ substantially from traditional wings of the college in organizational culture, revenue sources, pedagogy, and kinds of students enrolled. These differences between the newer and older functions of the community college can breed a healthy competition and dialog. But if the differences are cast in concrete, especially in the form of separate organizations and buildings, the result may be the creation of a deep cultural and organizational divide within the community college. A national survey in 1993-94 of two-year institutions offering contract training found

that 30 percent housed this training in separate specialized units (Johnson, 1995). This increases the chances that the "regular" and "contract" sides will harden into separate cultures with negative images of each other (Grubb et al., 1997).

### Conclusions: Research and Policy Needs

Community college involvement in new economic development activities is quite widespread, engaging over 90% of all colleges. Yet data on the impact of this new role on trainees, firms, and community colleges are relatively scarce. This suggests that the new economic role merits much more careful scrutiny than it has received to date. First, we need to investigate the extent to which this growing involvement undercuts the college's effectiveness in its traditional but still very important roles of baccalaureate preparation, remedial education, and general education. Second, we need to establish the degree to which the contract training expenditures of community colleges and state governments are, on the one hand, catalyzing firms to engage in needed training or, on the other hand, substituting for employer expenditures on training. The first effect is desirable and important; the second may be needless corporate welfare. Third, we need much more research on the impacts of small business assistance and local economic planning. For example, it would be interesting to investigate why tenants of small-business incubators put relatively little value on the business advice they receive.

Community college boards and state government officials need to consider ways to insure that the colleges' new economic role is supported yet does not irremediably change the nature of the community college. Colleges must retain the ethos of educational institutions and not come to see themselves as just another training provider. Public policymakers need to craft policies that provide incentives to community college administrators to maintain vigorous programs of baccalaureate transfer preparation, remedial education, and general education. As part of this, policymakers should aim for maximal articulation between different kinds of community college programs so that contract training students can attain credentials with as much economic convertibility as possible. ❁

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