

CHAPTER

On Classifying Universities: Policy, Function and Market

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One of the tensions characterizing higher education around the globe derives from the classifiers' passion for pigeonholing each and every university and from the equally passionate conviction on the part of those universities that they are truly unique and hence should not be classified, stapled, or otherwise mutilated. The classifier believes that there is an underlying logic governing the nature and functioning of institutions – that form and function along with governance and financing are matters of policy rather than institutional choice. Institutions, for their part, mostly accept the designations the classifier bestows, as long as the definition limits neither opportunity nor funding.

Thirty years ago, it was the classifier who held sway. In the Soviet Union as well as those institutions whose systems of higher education followed the Soviet model, the classification of institutions reflected a remarkably narrow set of industrial and employment classifications. What a university did and the kind of graduates it produced was clearly as well as specifically defined in its title. In parts of Europe, for example in Belgium, university forms and titles reflected important ethnic and political settlements in which language and religion more than academic specialty provided the defining elements. In the U.K. there was a hard and defining line separating universities and polytechnics. In Germany there was a parallel separation between universities and *Fachhochschulen*. The former were the generators of knowledge; the latter focused on profession and vocation, on the one hand, and applied as opposed to generative science, on the other. In France there was a different, but no less definitive line separating that country's universities and its *grandes écoles*. In the U.S., the Carnegie Classification was predominant, defining four separate kinds of universities based on the amount of sponsored research and the number of graduate degrees awarded and the disciplines in which those

degrees were granted. In Japan, the classification of universities and other institutions of higher education reflected in part the role of the government and in part the growing importance of a limited number of private universities. Still, at the top of that hierarchy, were the national universities – those whose students had the highest test scores, whose graduates were the most sought-after, and whose faculty and staff were civil servants attached to the Ministry of Education.

A SHIFTING LANDSCAPE

Today, however, it is the classifier who is losing ground. The line separating universities and polytechnics in the U.K. has been erased – they are all universities, at least in name. In Russia and across eastern Europe and China, the Soviet higher education model of vocational- and industrial-based universities supplemented by research academies has been recast. In Japan, the government is in the process of divesting itself of its national universities, removing faculty and staff's civil service status and generally preparing the way the privatizing of universities across Asia. Many observers believe Germany will soon follow suit – making major adjustments to its two-tier system while similarly divesting universities of their standing as governmental agencies. Even in France, higher education could lose its distinctive labels, as the system begins to resemble the dominant European model. And, in the U.S., any and all attempts at distinctive labelling or classification have simply been abandoned, as “university” becomes the label of choice for most institutions – including the for-profit University of Phoenix.

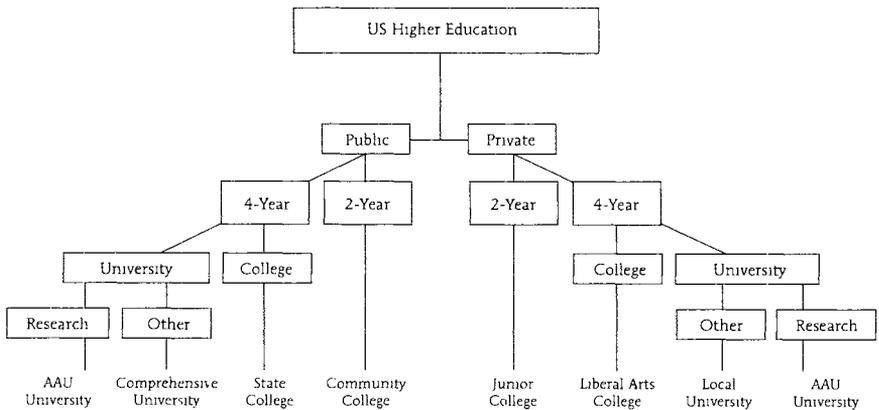
There are basically two root causes underlying these changes. The first is that most governments have lost interest in preserving the purity of their classification systems. With growing numbers of people demanding access to higher education and intensifying competition for governmental support among and between institutions and other public agencies, there is little appeal for preserving what it “really means to be a university.”

Governments also have contributed to the second underlying cause of this shift away from using distinctiveness as a criterion for classifying institutions of higher education. Unable to meet the cost of educating an increasing proportion of their young adults, most governments have begun either experimenting with or actually implementing tuition and fee policies that have universities charging real prices in order to raise substantial revenue. As that barrier is breached, universities become increasingly subject to market forces as they seek to recruit faculty, garner research support, and enrol students who see in the new market realities an opportunity to increase their own socioeconomic mobility. To the extent that Europe becomes an integrated higher education market, it is likely that the homogenizing effect of market

forces will further reduce the distinctiveness of the labels historically applied to European universities.

It is, of course, in the U.S. where the impact of market forces has been the greatest and where the outlines of a “declassified” system of higher education are most strongly etched. To understand what is happening in the U.S. today, it is helpful to look back at the landscape of the early 1970s. At that time, most taxonomies of U.S. higher education followed the general outlines of the Carnegie Classification. (See Figure 1.) There was a basic symmetry to the system: first, a split along the lines of governance and finance (public or private); then, a split along the length of the standard undergraduate curriculum (four years or two years); then, a parsing of institutions according to the traditional college/university division; and, finally, definitions that separated the research universities (principally those belonging to the Association of American Universities, or AAU) from what Carnegie came to consider “lesser” doctoral and comprehensive universities. Among the two-year institutions, all community colleges were public and most junior colleges were private. Among the nation’s colleges there were essentially two flavours: private liberal arts colleges and public state colleges, many of which had started out as normal or teachers’ colleges.

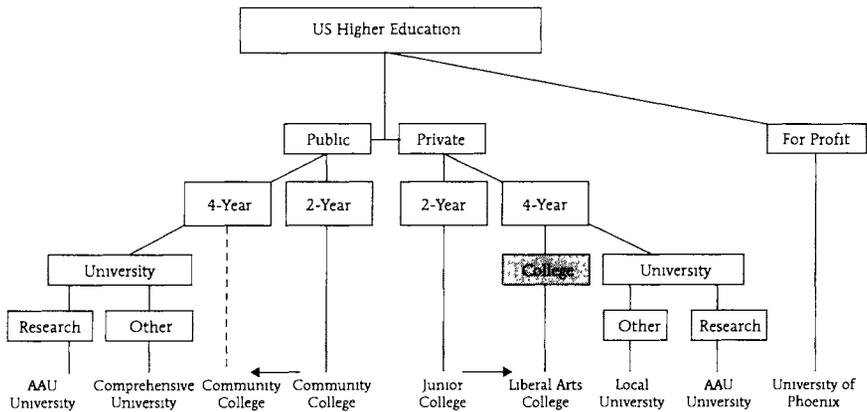
Figure 1: The U.S. Higher Education Landscape in 1970



Thirty years later, this landscape has been substantially reshaped. (See Figure 2.) To the traditional public/private split has necessarily been added a third category: for-profit institutions. While this category remains small in terms of its total number of students, its principal occupant, the University of Phoenix, looms large: more than 90,000 students enrol in what is essentially a store-front operation that has now aggressively branched out into online distance education.

Other changes are evident. In Figure 2, the private sector has been compressed and shifted toward the right. Gone are the private, two-year junior colleges. The entire college category is being diminished (hence the shading of the box in Figure 2). Where once premier liberal arts colleges the likes of Amherst, Williams, and Swarthmore competed head-to-head with Harvard, Yale, and Princeton for both students and faculty, that competition is now decidedly more one-sided. Almost always the comparable university wins, simply because it offers both more options and more support. Liberal arts colleges with lesser reputations are finding that the best way to compete and survive is to mimic the university – often coming to call themselves universities, while adding a variety of post-baccalaureate vocational master’s programmes (a shift indicated by the arrow in Figure 2). (Zemsky et. al., 2001)

Figure 2: The U.S. Higher Education Landscape in 2000



The public sector has undergone a parallel transformation. Most state colleges are now called universities, with many seeking the research and graduate education portfolios that once exclusively belonged to their state’s flagship campuses. The nation’s public community colleges are being similarly recast. Estimates of the number of students currently enrolled in a community college who already possess a baccalaureate degree range upwards from 20 % – suggesting the shifting role of the community college as a general supplier of work-related skills, including those skills essential for white-collar careers. At the same time, a number of community colleges are actively exploring, and a few have actually instituted, four-year programmes leading to the baccalaureate degree or its equivalent.

THE PUSH OF MARKET FORCES

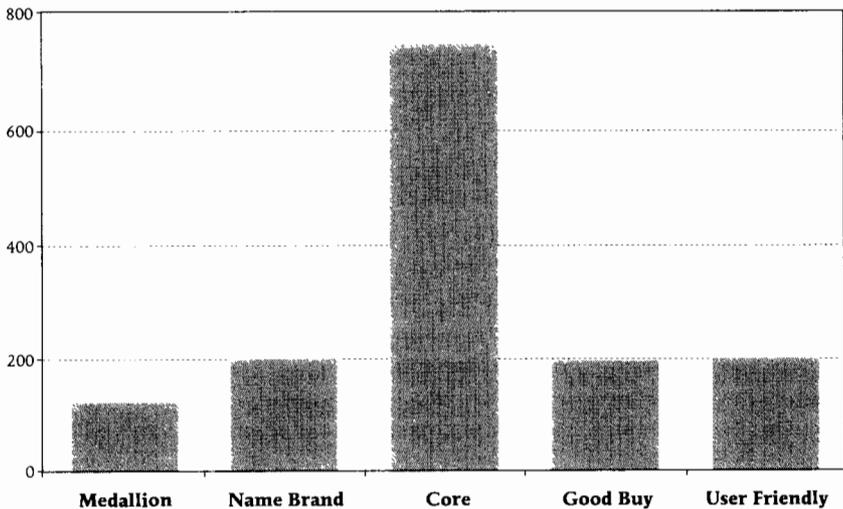
Most of these changes reflect the push of market forces, as institutions of nearly every stripe have sought to ensure sufficient revenue either to stay in business or to fulfill their ambitions. With these market forces has come a second, closely related set of innovations and changes in the form of the “dreaded rankings”. The first, and still most powerful, are those published annually by U.S. News & World Report, classifying not just the quality of universities in terms of their baccalaureate programmes, but increasingly in terms of their graduate programmes as well. Everybody pays attention to the rankings, regardless of what they may say when their institution fares less well than expected. And, increasingly, institutions have altered their practices simply to improve their place in the rankings. The admissions practices of U.S. law schools offer perhaps the clearest example of how the process works. When it became clear to the top 25 or so law schools in the U.S. News rankings that the editors were placing a heavy weight on how the applicant scored on the Law School Admission Test (LSAT), most law schools began adjusting their admissions formula to give more weight to the LSAT.

The irony is that there is little reason to believe the rankings measure quality, and a great deal of evidence to suggest that the rankings are in fact just a surrogate for market position. Five years ago, the Institute for Research on Higher Education (IRHE) at Penn first published its market taxonomy for higher education. The taxonomy was derived from a regression model using just a handful of variables to predict the prices both public and private universities charged. One of the questions we asked was whether the same regressions might also predict U.S. News rankings – and the answer was a resounding “yes.” To group universities into the tiers reflected in the U.S. News rankings, all one needs to know is the percentage of each university’s entering class that earns a baccalaureate degree within six years of matriculating. It is a remarkably consistent relationship: the higher the graduation rate, the higher the price the university charges, and the higher the rankings tier to which the university belongs (NCPI, 2002).

In many ways the market structure revealed both in the U.S. News rankings and the IRHE taxonomy has replaced the more traditional ways of classifying U.S. institutions of higher education. In all, IRHE classified just under 1,500 baccalaureate institutions into five market segments (See Figure 3). Substantially fewer than 10 % were classified as medallion institutions – literally, the top of the heap. In this segment are all the Ivy League institutions plus Stanford, Duke, and the University of Chicago, along with a dozen major public universities led by the Universities of Michigan, California (five separate campuses), Wisconsin, Illinois, and Virginia. In the next segment

are approximately 200 name-brand institutions, all of whom are well-known to the public and most of whom spend considerable time, energy, and resources trying to become medallions. The core of the market, dominated by public comprehensive universities and local private universities, accounts for just over half of all U.S. institutions. The market segments on the right side of the divide contain colleges and universities that are in many ways the most market dependent – smaller, often struggling private and public institutions who often compete on basis of price, hence the label “good buy.” Finally, there are the institutions that cater, sometimes almost exclusively, to part-time and intermittently enrolled students: younger adults, for the most part, who are pursuing a baccalaureate degree one course at a time and often from a variety of institutions.

Figure 3: Distribution of U.S. Baccalaureate Institutions



One way to interpret this new classification of U.S. universities and colleges is to understand how much it reflects the different confidences and aspirations of higher education’s student customers. On the left are those institutions whose students are the most certain they will complete their baccalaureate education, who know from the outset that four years at a university will not be enough, and – because they perceive the importance of a medallion undergraduate degree for winning admission to a prestigious graduate or professional school – are willing to pay extraordinarily high prices. Arrayed on the right, in sharp contrast, are institutions whose students are quintessential shoppers, choosing their courses and institutions on the basis of convenience as well as price. Students in the middle are just that

– persuaded they need a college degree, but not yet sure they are ready to earn one. For these students, enrolling in a university is a matter of trying it to see if you like it.

CHANGING CLASSIFICATIONS

It is interesting to note how the AAU and the Carnegie Foundation for the Advancement of Teaching (CFAT), arbiters of the higher education classification system, have reacted to the changing circumstances that markets have introduced into American higher education. CFAT has decided that a single classification scheme will no longer suffice, in substantial part because both the public and the institutions being classified had come to see the Carnegie categories as rankings: “We are currently engaged in a fundamental reconsideration of the Carnegie Classification. We plan to develop a more flexible system that will permit institutions to be grouped in several ways, in recognition of the fact that a single classification scheme can conceal the many ways that institutions resemble or differ from one another. This work will result in a series of distinct classification schemes, as well as an interactive facility that will enable users to generate their own, customized classifications” (CFAT, 2003).

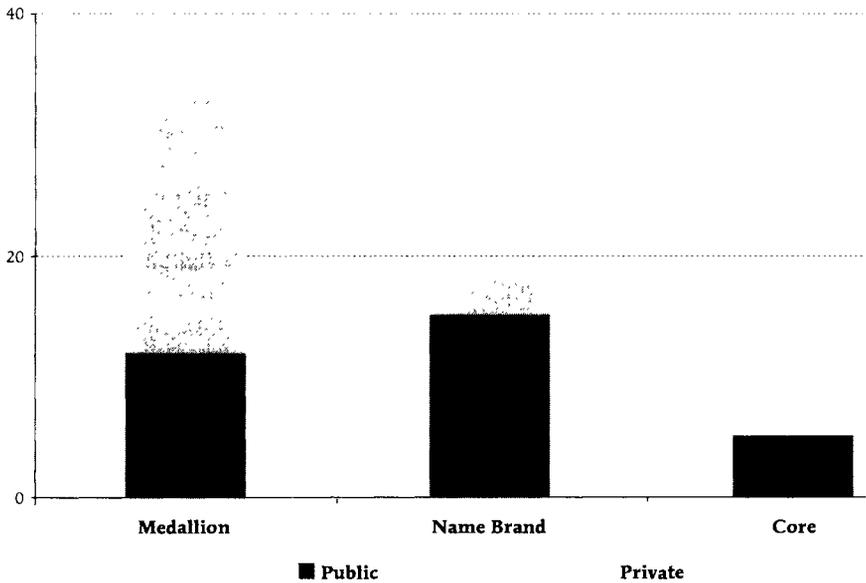
Individuals will be encouraged to design their own classification systems, while institutions will be rewarded for presenting themselves in different ways to different constituents or clients or markets. Institutions like Harvard will be festooned with designations, merit badges really – one for being a research-intensive university, another for its large-scale graduate and professional programmes, another for being an urban university, yet another for its commitment to undergraduate education, and so on. One can only wonder what will be left of that once elegantly simple system in which there were research universities, liberal arts colleges, specialty colleges, and community colleges.

The AAU faces a similar problem of definition as it has sought to determine which additional universities to admit as members. Its answer, however, has been to refine and make more detailed the characteristics of a research-intensive institution. On its website, under the general heading of AAU membership, is posted a statement of the organization’s “Membership Policy” that specifies five Principles of Membership and nine Membership Indicators, which collectively draw on more than 27 designations of faculty achievement and nearly that many sources of research support and accomplishment. What the AAU increasingly faces is the market-oriented challenge: “Tell me what my institution has to do to win AAU membership and we will do it.” While the final judgment remains a vote of the membership, the scorekeep-

ing in fact becomes an implicit index of market accomplishment. (AAU, 2003)

The emergence of a structured, highly competitive market for higher education is creating a second problem for AAU – the growing disparity between its members with the best and least market positions. Of the 26 private American universities belonging to the AAU, all but four are medallions. Among the more than 30 public universities belonging to the AAU, only 12 are medallions and five are actually part of the core market segment – a category that has no private AAU members. (See Figure 4.)

Figure 4: Market Distribution of AAU Universities



What is at stake here is not just status, but, more importantly, money. The private medallion research universities with their large endowments, top-dollar tuitions, and robust applicant pools are putting more and more distance between themselves and the rest of the pack. Of the large, public research universities, the University of Michigan is probably unique in its ability to keep pace with the big privates in terms of its capacity to grow its revenue base year in and year out. One of the concerns of those who watch the AAU from the outside is that it may be in the process of becoming a two-tier organization, with the market playing the lead role in determining which institutions belong to which tier.

The relevance of these developments for universities outside the United States remains an open question. What is clear, however, is that the more

European and major Asian universities rely on market income to finance both their operations and their ambitions, the more subject they will become to the homogenizing influences of the market. What will be put at risk is the ability of both governments and institutions to maintain those finely-wrought distinctions that historically have been used to classify higher education institutions. The term university will become generic. In pursuit of different markets – for students, for research, for faculty and staff – institutions will take on different hues, often simultaneously. There will be less concern with consistency, less willingness to turn to public policy or governmental authority to separate the wheat from the chaff. Instead, and perhaps with audible resignation, that task will be left to the market – letting institutions become, regardless of what they call themselves, what the market wants and is willing to pay for.

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