

The Alarming Rise of the For-Profit Sector in the United States:
Contested Ideas About What Higher Education Is For !!!

Methodology

Newly available data produced by the Department of Education, National Center for Education Statistics document that higher education in the US is no longer just two sectors—public and private. The private sector must be separated into the non-profit and for-profit sectors.

This paper uses newly available data by educational sector to compare historical trends across the public, private non-profit, and private for-profit sectors. This new data permits detailed comparisons of the three sectors in four different domains:

1. Trends in the growth of the sectors, including numbers of institutions and numbers of faculty,
2. Trends in the growth of student enrollment, by gender,
3. Comparisons across the three sectors showing how their students differ in the ways they pay for college, and
4. Comparisons of measures of educational “quality” across the three sectors.

The paper concludes with an overall assessment of the education experiences of students in the three sectors.

The comparisons of the three educational sectors are illustrated with charts prepared using a Deltagraph program.

Conclusions

The data and charts support the conclusions that, in comparison with students admitted to public and private non-profit institutions, students enrolled in the for-profit institutions are:

1. Admitted to lower quality institutions,
2. Less well prepared for college but have less access to remediation opportunities,

3. Faced with lower retention and higher dropout rates.
4. Graduating at much lower rates,
5. Paying much higher tuition than they would at public institutions, and
6. As a result borrowing larger amounts than do students at public institutions.
7. Many are earning certificates rather than degrees,
8. Preparing for lower paying jobs,
9. Receiving a much lower rate of return on their educational investment, and may be
10. Trapped under a mountain of debt.

These findings lead to a fundamental question: Does the answer to the question of “What is Higher Education for?” differ in significant ways depending on whether the student is enrolled in public or private non-profit institutions or private for-profit institutions?

Analysis of the rich new data comparing the three sectors indicates that the burgeoning for-profit sector differs enough from the public and private sectors that there are differences in what for-profit higher education is for. Most of these differences are not positive.

Consequently, it is important to ask additional questions:

The question in the realm of individual choice is:

Why do students enroll in the for-profit institutions instead of the less expensive public institution alternatives? Is it in part that enrollment options in the public institutions are capped because waning public funding is not keeping up with student demand?

Students should be informed about the likely life-time consequences of their educational choices.

The question in the realm of public policy is:

Why are many states encouraging the growth of the for-profit sector? Is it for educational reasons, to increase healthy competition with the public and non-profit institutions? Or is it for financial reasons, to relieve pressure on state government budgets.

In the view of the critics of the for-profit sector, the larger society should re-examine the national public and private investment priorities and make a vastly stronger commitment to support traditional education.

Clearly, the way higher education is paid for has lasting consequences. Over-reliance on for-profit institutions and over-borrowing to pay for education can lead to income inequality that the education was supposed to overcome.

While some students have trained for jobs that they have not been able to secure, these students are effectively conduits for government funds channeled to the owners of for-profit institutions. Over-reliance on private markets to allocate funds to education purportedly has created at least one billionaire. The founder of the University of Phoenix, John Sperling, has reportedly become a billionaire while leaving at least some of his students trapped in debt.