

Submissions Abstract Book - All Papers (Included Submissions)

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Growth and Trends in for Profit Brazilian Higher Education and the Effects of COVID-19

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Research Domain: Higher education policy (HEP)

Abstract:

The main objectives of this paper are to describe the growth of the For Profit Brazilian Higher Education sector; analyse the key market trends and underline the main challenges for Brazilian HE and educational system during the Pandemic.

The research consists of documentary analysis and descriptive statistics. This investigation is based on: Carvalho (2017); Eaton (2016); Mader;Mertens;Zwan (2020), Ertuk (2020), Zwan (2014).

There is a considerable growth of the For-profit sector, mainly in online courses. The keys characteristics of For-profit sector have been capital concentration and financialisation.

During the Pandemic, some big companies moved quickly from face to face to online courses with cost-saving; massive layoffs; reduction of wages; and substitution of lecturers for recorded classes. The financial logic, and the business-oriented strategies towards medical courses in HE and compulsory education might have severe consequence to the educational process. Finally, implications are drawn out for trends at the global level.

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The data were obtained from the Census of Higher Education (INEP/MEC), B3 (Brazilian stock exchange) and Nasdaq websites, Education Companies websites and business sections in the media.

The Brazilian HE system is very heterogeneous, as seen in figure 1. The for-profit institutions, which are the focus on this research, can be closely held and publicly traded companies.

Figure 1

The graph 1 shows the considerable growth of the For-profit sector. The for-profit enrolments increased (89%), while the non-profit decreased (22%). In 2018, it represented 67% of the private sector.

Graphs 1, 2

In 2017, new favourable legislation created online courses in secondary education. Graph 2 shows considerable growth of online for-profit enrolments (217%), while the non-profit decreased (17%). In 2018, it represented 39% of the for-profit sector.

After 2005, two public policies have explained this growth: the expansion of the federal student loans program (FIES), in which institutions receive treasure bonds and the Prouni program, in which tax exemptions are given to private institutions for providing grants for poor students and minorities.

The keys characteristics of For-profit sector have been the capital concentration and financialisation (Carvalho 2017).

The acquisitions have started of small institutions, after that has occurred the market consolidation with large mergers, which the landmark was the merger between two biggest companies.

In 2017, the new biggest company attempted to merge with the third. This merger was denied by organization responsible for regulating economic competition. Both companies have acquired secondary schools.

In 2018, the biggest corporation diversified their activities with acquisitions of publishers, management platforms and learning systems for schools and HE institutions.

Figure 2

Since 2019, the national branches of main international corporations, US Adtalem and Laureate, and UK Pearson, have been bought by Brazilian giants.

Most recent data show that three of them are among the thirty biggest companies in the world, according to shares market value.

Figure 3

In this rank, Brazil is in the third position in the number of companies, behind only China and the US.

So, this research focuses on the financialisation of corporations, as the emergence of shareholder value as the main guiding principle of corporate behaviour. These practices have been accompanied by mergers and acquisitions. (Zwan 2014).

In HE, specifically, it refers to operate profits among those institutions owned by Publicly Traded Companies and private equity funds. (Eaton at al 2016).

Since 2007, five groups have been listed on the Brazilian stock exchange. The biggest has traded on the New York stock exchange. Since 2019, some education companies have been listed on Nasdaq.

Furthermore, acquisitions have carried out by private equity funds.

Both mechanisms of raising funds through the capital market, allow the time-intensive capitalization of resources to finance the acquisitions and mergers, aiming at large-scale growth. (Carvalho 2017).

During the Pandemic, some big companies moved quickly from face to face to online courses, with cost-saving water, electricity, cleaning, and surveillance.

Due to recent labour market deregulation, it has occurred massive layoffs; substantial reduction of wages; and substitution of lecturers for recorded classes.

The lecturers' unions have received complaints about online classes of up to 400 students of different levels and courses; even the misuse of artificial intelligence software to correct essay tests.

To conclude, it is important to underline the main challenges for Brazilian HE and educational system.

The current economic, social, political and health crises in Brazil have increased the default on payment and drop-out rates in private sector, due to rising of unemployment and falls in income.

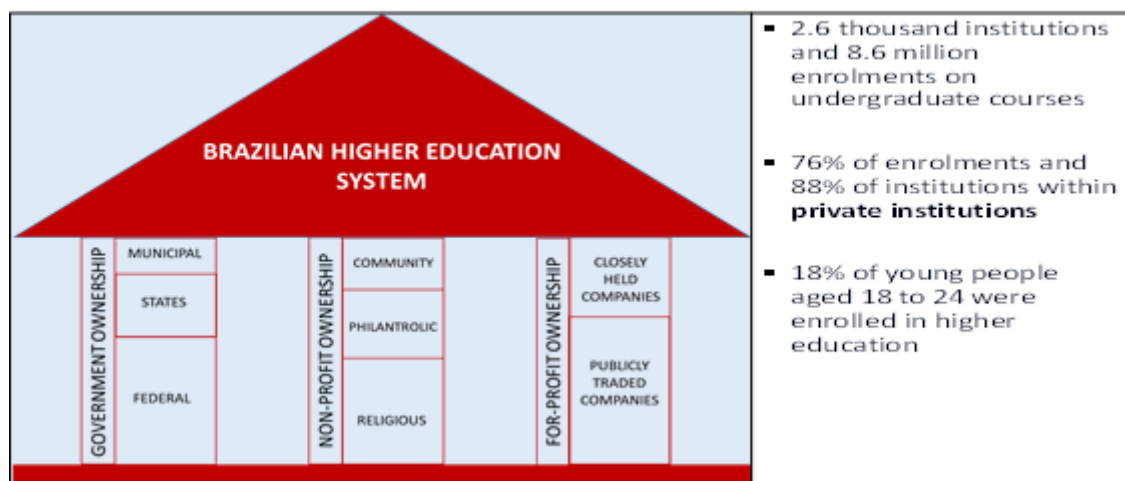
Ironically, the medical courses have become the main target for these companies. This is a special 'product', because of the inelastic demand, high fees, and the limited government authorized places. They focus on a niche market, increasing their profits during the Pandemic.

However, education as business doesn't happen only in HE. There is a huge market in the compulsory education. (Setti 2021). They have various strategies which will enable them to avoid huge losses, considering there is no regulation in capital concentration by Ministry of Education.

The financial logic and the business-oriented strategies in HE towards compulsory education might have severe consequence to the educational process. Finally, implications are drawn out for trends at the global level.

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Figure 1: Brazilian Higher Education system



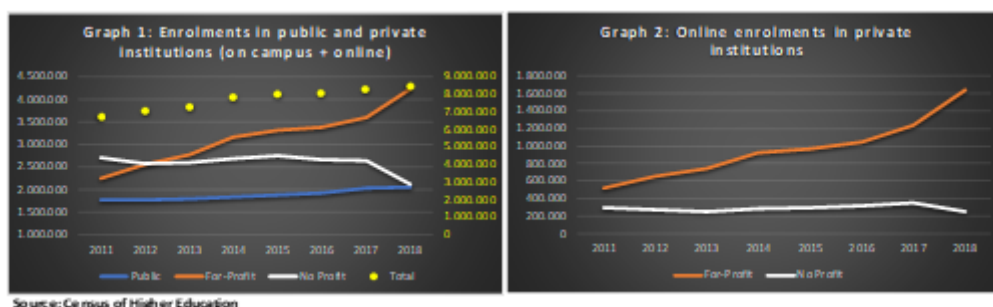


Figure 2: Higher Education Market concentration

Ranking de Matrículas	Grupo Consolidador	Estimativa de Receita Líquida ² (em milhões)	Participação da Receita Líquida no Setor	Matrículas Privadas Estimadas 2018 (Presencial + EaD)	Participação no Mercado
Ranking	Educational Group	Estimated Net ² Revenue (R\$m)	% Net Revenue Market Share	Estimated Enrollments (On-Campus + DL)	% Enrollments Market Share
1 ^o	Kroton	R\$ 5.317,66	9,7%	815.332	12,9%
2 ^o	Unip	R\$ 2.677,45	4,9%	459.595	7,2%
3 ^o	Estácio (YDUQS em 2019)	R\$ 3.619,40	6,6%	441.600	7,0%
4 ^o	Laureate ³	R\$ 2.532,14	4,6%	280.000	4,4%
5 ^o	Cruzeiro do Sul Educacional	R\$ 1.177,69	2,2%	210.101	3,3%
6 ^o	Uninove	R\$ 814,12	1,5%	151.903	2,4%
7 ^o	Ser Educacional	R\$ 1.262,49	2,3%	141.596	2,2%
8 ^o	Unicesumar	R\$ 501,96	0,8%	132.899	2,1%
9 ^o	Anima	R\$ 1.022,80	1,9%	95.944	1,4%
10 ^o	Ilumno	R\$ 435,51	0,8%	53.694	0,8%
11 ^o	Adtalem Global Education (YDUQS em 2019)	R\$ 884,33	1,6%	52.822	0,8%
12 ^o	Grupo Tiradentes	R\$ 434,00	0,8%	45.328	0,7%
Total 12 Maiores Consolidadores Total of the 12 Largest Educational Groups		R\$ 20.679,55	37,8%	2.880.814	45,4%
Outras IES Other HEIs (not belonging to the Largest Educational Groups)		R\$ 34.002,95	62,2%	3.459.210	54,6%
Total do Setor Privado em 2018 Total value for Private Sector in 2018		R\$ 54.682,50	100,0%	6.340.024	100,0%

According to Hoper Consulting, of more than 2.2k private HE institutions, the 12 largest giants have about 45% of enrolments and 38% of net revenue of the whole sector.

Figure 3



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