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## **ACCESS IN U.S. HIGHER EDUCATION: WHAT DOES THE FOR-PROFIT SECTOR CONTRIBUTE? \***

### **ABSTRACT**

The private sector's role in higher education access has received limited attention, though the expansion of the sector globally has immediate implications for the ability of the system to serve more students. In the U.S. case, the private sector includes both nonprofit and for-profit forms, with the for-profit institutions comparable in critical ways to the growing private sector in other countries. Developing quickly as significant members of the higher education enterprise in the U.S., for-profits can be compared along several access dimensions with public and nonprofit institutions to determine how they contribute to overall access in the U.S. system. This comparison demonstrates the role of for-profit higher education as an access path in terms of scope of programs offered, the numbers and types of students served, and the cost of providing access in a for-profit model.

Yet this assessment shows the ambiguity of access as it relates to the for-profit sector. It is clear that for-profit higher education increases the availability of higher education beyond what it would be with exclusively public provision. In addition, new students are brought into higher education who may not be served by existing institutions. But this access comes at a cost. Most obviously, the personal expense incurred by students pursuing this path is constraining, even though the U.S. indirectly subsidizes the sector through financial aid to all students. Access is also constrained by the limited scope of programs available in the for-profit sector, and the limited capacity of most institutions. Quality and efficacy remain a concern, especially considering much aid is in the form of loans that students must repay after graduation. Because of the importance of the aid subsidy to the viability of the for-profit sector, access remains dependent on state support, even as the sector serves successfully as an alternative path to higher education.

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The Program for Research On Private Higher Education (PROPHE) seeks to build knowledge about private higher education around the world. PROPHE focuses on discovery, analysis, and dissemination. PROPHE neither represents nor promotes private higher education. Its main mission is scholarship, which, in turn, should inform public discussion and policymaking. PROPHE's Working Paper series is one vehicle to promote these goals.

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The development of for-profit higher education may be seen as creating new access paths for students who are not able or willing to attend dominant or traditional institutions<sup>1</sup>. These access paths can be the result of the sector's demand absorbing function within the system, offering second-choice options to students who would prefer the public sector if it had the interest or was prepared to serve them. Alternatively, for-profit institutions may provide access by offering desirable programs with better service, price, or quality. These would draw students away from competing public sector offerings, at the same time providing improved outcomes for students who choose to attend. A third access path is through distinctiveness, where the for-profit sector creates unique programs or delivery systems to meet student needs neglected by traditional institutions. In each case, the sector represents a potentially competitive alternative to state-sponsored institutions.

Regardless of the specific access path employed by individual institutions, the development of a for-profit alternative creates choices for students. The precise nature of these choices, however, is not always clear. Although access has long been a significant premise for the development of private higher education, national assessments of private sector access contributions have been rare. Perhaps the only global work devoted to the issue of the access role of private higher education is Levy's (2008) example from the Indian case<sup>2</sup>. In the U.S., establishing private competition for students often reflects a neoliberal argument for changing moribund public sector systems (Pusser, 2002; Slaughter & Rhoades, 2004). The implication is that for-profit higher education provides competitive pressures to which public sector institutions must respond in order to maintain their viability. This is a demand-driven system, with winners and losers depending on the decisions made by students and institutional leaders. On the other hand, a stable public sector may be relatively unaffected by the availability of for-profit options. Legitimacy pressures may place conforming demands on for-profit institutions (Kinsler, 2007), or regulatory distinctions may create mutually exclusive choices with limited overlap between what each sector offers. In cases where limited overlap of programs in the for-profit sector is coupled with small enrollments, the public sector can practically ignore cross-sector competition for students.

From a global perspective, many countries are transitioning from systems where the private sector is largely irrelevant and unknown, to one where private providers are recognized as contributors to the overall provision of higher education (Levy, 2006). But because an emerging private sector is often an unanticipated development, and comparative data on the private sector are still comparatively scarce, this access contribution is assumed more often than measured. This paper uses the case of the for-profit sector in the United States to address the access contributions made by new private sector institutions. The U.S. has a well developed private nonprofit sector that parallels the public sector, with private for-profit higher education representing a distinct

sub-sector. This for-profit sector is roughly comparable to the emerging private sector in other countries<sup>3</sup> (Kinser & Levy, 2006).

Because the meaning of private higher education in global contexts can be ambiguous, it is important to define for-profit higher education in the U.S. as considered here. The structure of higher education in the U.S. begins with postsecondary education, including degree and non-degree awards, roughly equivalent to OECD Levels Four and Five in international classifications. They are primarily vocational institutions, in the sense that for-profit curricula are directed toward career preparation and advancement. Still, for-profit institutions in the U.S. may award graduate degrees, and most are accredited by federally recognized accreditation agencies. Many of the more well-known for-profit institutions, in fact, are accredited by the prominent regional accreditation agencies and conform to the same standards as all public and private nonprofit universities (Kinser, 2005).

For-profit institutions are defined by the U.S. Department of Education as “A private institution in which the individual(s) or agency in control receives compensation other than wages, rent or other expenses for the assumption of risk” (National Center for Education Statistics, 2008). Essentially, this definition follows the tax code designation of profit, which allows for owners to distribute excess revenue as they wish (e.g., dividends, bonuses, investments in unrelated enterprises, etc.). Nonprofit institutions, on the other hand, must keep excess revenue permanently reserved for “charitable” purposes. In the U.S., then, “profit” represents those revenues available to the owners for any purpose. In addition, owners typically owe taxes on their profits, which leads to the lighthearted aphorism: Public institutions are tax spending; Nonprofit institutions are tax avoiding; For-profit institutions are tax paying. This formulation correctly emphasizes taxes over revenues as the key outcome of for-profit status in the U.S. As all institutions may have revenues that exceed expenses, taxes may be seen as the penalty incurred by the for-profit enterprise for the government allowing the unrestricted use of revenue<sup>4</sup>.

An additional definitional issue relates to the universe of institutions considered in this analysis. Data limitations restrict this universe to only those for-profit institutions in the U.S. that participate in federal student aid programs. This does not include most institutions that choose not to participate even if they are eligible, as well as any non-eligible institutions or individual campus locations outside of the U.S.<sup>5</sup> The data set is derived from the 2005 Integrated Postsecondary Education Data System (IPEDS). Most distance education institutions and institutions not accredited by U.S. Department of Education recognized agencies are missing from this source (including those with only foreign accreditation or U.S. state approvals). Therefore these data should be considered a subset of all for-profit institutions of higher education operating in the U.S.<sup>6</sup> But because nearly all private, nonprofit and public institutions in the U.S. are included in this dataset, it allows the access contributions of the for-profit sector to be appropriately compared with similarly situated traditional institutions of higher education<sup>7</sup>.

The analysis is based on publicly available IPEDS data that has been combined with a classification of for-profit higher education developed to differentiate institutions in terms of geographic scope, ownership, and degree level (Kinser, 2006a, 2007a). Geographic scope refers to the number of locations and their distribution within the U.S. Ownership indicates whether the institution is privately owned by an individual or a corporation, or publicly owned by shareholders of a corporation with securities traded on a stock exchange. Degree level is determined by the highest award granted by the institution: non degree certificate, associate's degree, bachelor's degree, or graduate degree. Because IPEDS collects data at the campus level, only the dimensions of ownership and degree level are relevant to the analysis.

In the following sections, public, private nonprofit, and private for-profit institutions are compared based on institutional and programmatic availability, student enrollment and demographics, and financial considerations. Three dimensions of access are explored:

- Access to what? How many institutions are available, and what sorts of programs do they offer?
- Access for whom? How many students attend higher education institutions in each sector, and what are their demographic characteristics?
- Access at what cost? What are the revenues and expenses of higher education institutions, and how do students pay the costs of attending?

For each access dimension, the for-profit classification is extended to all institutions to distinguish differences by type. Under the ownership classification, institutions will be classified as public, private nonprofit, enterprise (individual or family owned), venture (privately-owned corporation), or shareholder (publicly-traded corporation). Under the degree level classification, institutions will be identified as schools (non-degree); institutes (associate's degree); colleges (bachelor's degree), or universities (graduate degree).

## ACCESS TO WHAT?

The question of access cannot be answered in the abstract. The types of awards and fields of study typically available in the for-profit sector make a difference in what, precisely, a student can gain from attending these schools. For-profit higher education in the U.S. has expanded dramatically in the last ten years. Between 1996 and 2006, almost two hundred additional locations have opened around the country and enrollment has more than doubled. For-profit growth has outpaced that of public and private nonprofit institutions, now accounting for more than a third of all postsecondary institutions in the IPEDS database. But as Table one shows, the clear majority of these (n=1717) only offer non-degree certificates. There are substantial

differences in degree level between public, nonprofit, and for-profit institutions. More than 50 percent of institutions in the public sector offer the two-year associate's degree (n=1093), and nearly 60 percent of all nonprofit institutions offer graduate degrees (n=1127). In fact, each sector dominates a different degree level, with nonprofits tending to offer baccalaureate and graduate degrees, two-year degrees are emphasized by public institutions, and the for-profit sector leading among institutions offering non-degree certificates.

Much attention is paid to the publicly traded shareholder institutions in the for-profit sector. Table two, however, shows that this is the least common ownership model, with most classified as privately held enterprise institutions. By degree level, university level education is offered by the fewest number of institutions, though 60 percent of them are shareholder owned universities (Table 3). The enterprise ownership model is most frequently found in non-degree schools and two year degree institutes. Most bachelor degree colleges are classified as venture institutions, followed closely by college-level shareholder institutions.

The number and types of programs offered in each type of institution suggest the relative focus of the for-profit sector as compared to nonprofit and public sector institutions. At each degree level, public institutions offer the greatest number of programs, and for-profit institutions offer the fewest (Figure 1). The number of programs at nonprofit institutions is roughly equal to for-profit institutions at lower degree levels, and closer to public institutions at higher levels. Just two of the top five programs of study are common across all sectors (Table 4). Business programs top the list for public and nonprofit institutions and are third in the for-profit sector. Programs in health professions are most frequently offered in the for-profit sector, and are second and third among public and nonprofit institutions respectively. Public and nonprofit institutions both also count education and social sciences in their top five, meaning they share four of five programs in common. Liberal arts rounds out the top five for public institutions and visual arts completes the list for nonprofit institutions. For-profit institutions show a different pattern, not sharing any of the other three programs most commonly offered by the sector: culinary services, computer sciences, and mechanical technologies.

**Table 1: Classified Locations by Degree Level**

	School	Institute	College	University	Total
Public	319	1,093	102	594	2,108
Nonprofit	229	116	449	1,127	1,921
For-profit	1,717	544	231	184	2,676
Total	2,265	1,753	782	1,905	6,705

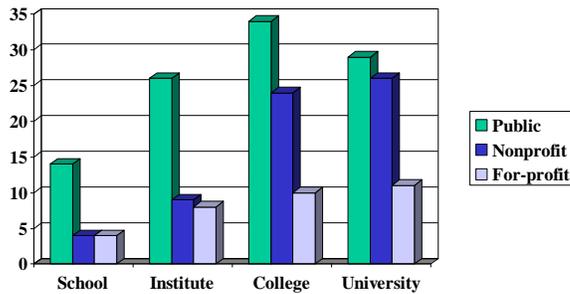
**Table 2: Classified Locations by Ownership**

Public	2,108
Nonprofit	1,921
<u>For-profit, total</u>	<u>2,676</u>
<i>Enterprise</i>	1,710
<i>Venture</i>	502
<i>Shareholder</i>	464

**Table 3: FP by ownership and degree level**

	Enterprise	Venture	Shareholder
School	1,375	212	130
Institute	232	171	141
College	62	88	81
University	41	31	112

**Number of Programs\* Offered  
by Control/Degree Level**



\*Programs offered at more than 10% of institutions in the sector

**Table 4: Top Five Programs of Study**

	Public	Nonprofit	For-profit
1	Business, management, marketing, and related support service	Business, management, marketing, and related support service	Health professions and related clinical sciences
2	Health professions and related clinical sciences	Education	Personal and culinary services
3	Liberal arts and sciences, general studies and humanities	Health professions and related clinical sciences	Business, management, marketing, and related support service
4	Education	Social sciences	Computer and information sciences and support services
5	Social sciences	Visual and performing arts	Mechanic & repair technologies/technicians

Just focusing on the programs all sectors have in common—business and health professions—enrollments show the differences in degree level for each type of institution. Public and nonprofit institutions award business credentials in a similar distribution, with most at the bachelor’s level (Table 5). Nonprofits, though, skew higher at the master’s degree level. For-profit institutions show a different pattern, more evenly distributed among non-degree certificates and degrees at each level. Looking at the health professions, public sector institutions distribute awards in declining order from non-degree certificates to doctoral degrees (Table 6). Nonprofit institutions award more bachelor’s degrees, and match the public sector in graduate level awards. The for-profit sector, however, is heavily biased toward non-degree awards, with relatively few at degree levels.

**Table 5: FP Business Program Awards**

Award Level	Public	Nonprofit	For-profit
Sub-bachelor’s Certificate	43,688	7,634	11,940
Associate’s	65,081	10,547	21,926
Bachelor’s	190,183	118,975	23,942
Post Bachelor’s Certificate	675	1,599	411
Master’s	52,676	75,336	19,427
Doctor’s	716	534	262
Total awards	353,019	214,625	77,908

**Table 6: FP Health Profession Program Awards**

Award Level	Public	Nonprofit	For-profit
Sub-bachelor's Certificate	134,912	13,415	160,273
Associate's	92,779	10,802	20,924
Bachelor's	53,219	27,134	2,028
Post Bachelor's Certificate	978	1,502	39
Master's	25,011	19,667	2,434
Doctor's/First Professional	24,122	21,190	22
Total awards	331,021	93,710	185,720

### ACCESS FOR WHOM?

Knowing who attends college is a fundamental aspect of access. The capacity of the higher education system to serve all interested and capable students, as well as the characteristics of those who enroll, suggests the extent to which an access mandate has been fulfilled. As tables five and six suggest, even in popular programs the for-profit sector has lower overall enrollment when compared to enrollment in public and nonprofit institutions. Even with more locations, for-profits enroll substantially fewer students on average, with shareholder institutions only comparable in size to nonprofits (Table 7). Shareholder institutions are larger, too, than other for-profit institutions, and enroll more than half of all students in the sector. By degree level, for-profit and nonprofit institutions are roughly parallel in average enrollment, with public institutions larger at each level (Table 8). In terms of total enrollment, though, the for-profit sector enrolls almost three out of four students across all non-degree institutions, suggesting its influence is most pronounced in the lowest levels of postsecondary education. Still, most students in the sector are enrolled in degree-granting institutions, with most of these attending graduate level universities<sup>8</sup>.

**Table 7: Enrollment Comparison by ownership**

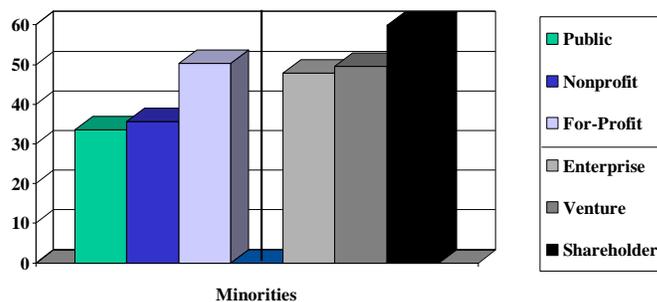
	Locations	Mean	Total
Public	2019	6,536	13,197,010
Nonprofit	1907	1,893	3,609,224
For-profit, total	2659	520	1,381,416
<i>Enterprise</i>	1696	221	374,802
<i>Venture</i>	501	538	269,484
<i>Shareholder</i>	462	1,596	737,130

**Table 8: Enrollment Comparison by degree level**

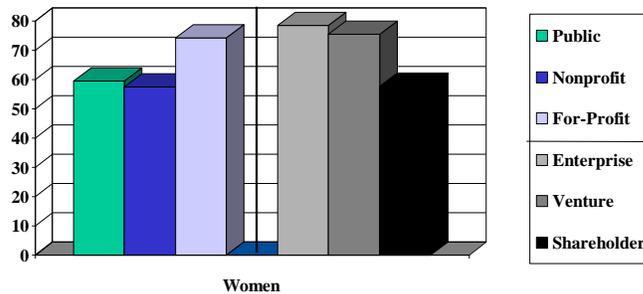
	Mean			Total		
	Public	Non-profit	For-profit	Public	Non-profit	For-profit
School	291	150	206	92,835	33,375	350,800
Institute	5,931	406	502	6,197,539	47,100	271,493
College	4,515	969	836	460,492	435,048	193,050
University	11,657	2,765	3,110	6,446,144	3,093,701	566,073
Total	6,536	1,893	520	13,197,010	3,609,224	1,381,416

Access is often framed as a particularly important concept for non-traditional student populations. In the U.S., these include minorities, women, and adult students. The for-profit sector enrolls proportionately more minorities across all ownership types and degree levels (figure 2). Overall, about half of the enrollment at for-profit institutions is made up of minority students, as compared to about one-third of the enrollment in public and nonprofit institutions. Shareholder institutions have the highest proportionate enrollment of minority students at 60 percent, while at all degree levels in the for-profit sector the proportion of minorities enrolled dips no lower than 48 percent. The comparison is particularly telling at the university level, where the for-profit sector has 56 percent minority enrollment and public and nonprofit institutions have minority enrollments of just 34 and 35 percent respectively.

**Enrollment Comparison**  
% of Minorities by Ownership



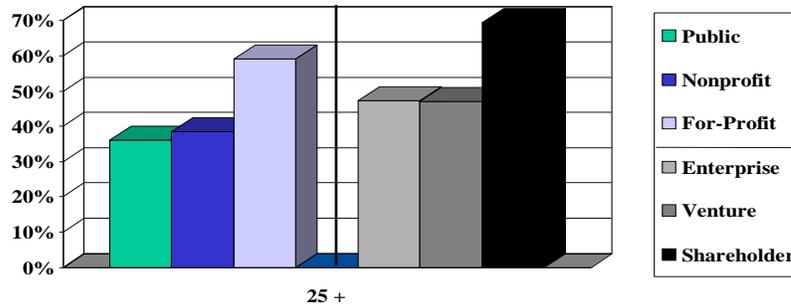
**Fig. 3: Enrollment Comparison**  
**% of Women by Ownership**



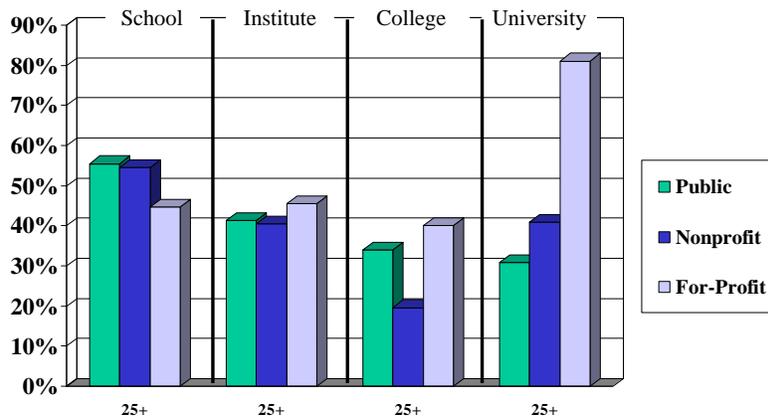
Three out of four students in for-profit higher education are women (figure 3). This ratio varies by ownership and degree level. Proportionately more females enroll in enterprise institutions, non-degree schools, and two-year institutes; and proportionately fewer enroll in shareholder institutions, degree granting colleges, and graduate level universities. This paints a mixed picture for access, as public and nonprofit institutions show parity with for-profit institutions in terms of female enrollment at the higher degree levels, and outpace the sector when looking just at shareholder institutions.

In terms of age, the for-profit sector generally enrolls older students than do public and nonprofit institutions (figures 4 and 5). This holds across all ownership models. Enterprise and venture institutions have nearly half of their students over the age of 25, while this population makes up almost 70 percent of the enrollment at shareholder institutions. This compares to 36 percent and 38 percent adult student enrollment in public and nonprofit institutions respectively. Looking at the adult student population by degree level, for-profit institutions enroll proportionately more students over age 25 at the undergraduate (two- and four- year) and the graduate levels, as compared to public and nonprofit institutions. Only at non-degree schools do adults students enroll at a higher proportion in public and nonprofit institutions than at for-profit institutions.

### Enrollment Comparison Age Distribution by Ownership



### Enrollment Comparison by Control/Degree level



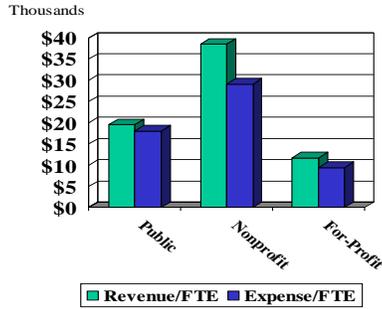
### ACCESS AT WHAT COST?

Ensuring the affordability of higher education has been a staple of access policies in the U.S. for over forty years. Historically, government subsidies have been used to offset the cost of attending college, either through direct institutional support or providing financial aid to students. The decline of these subsidies relative to the growing cost of higher education has become a serious policy issue (Measuring Up, 2008). It is therefore important to understand not only how students pay for college but also the sources and relative importance of institutional revenues and expenses.

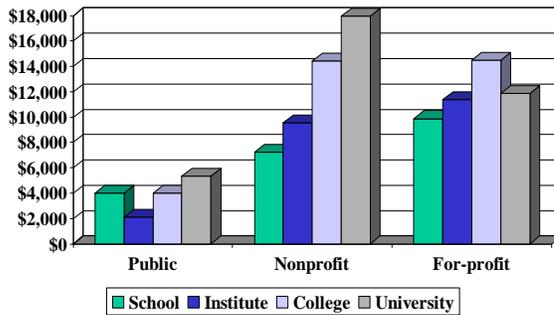
A common understanding of for-profit higher education is that it exists primarily to make a profit. From a market analyst perspective, they are quite successful in that endeavor. All institutions, however, seek to balance their books and match revenue to expenses. One way to measure this is by subtracting expenses from core revenues, standardized to account for variations in student enrollment. Figure 6 shows that revenues exceed expenses in each sector, with the public sector running closest to break even numbers. If the difference between revenues and expenses is interpreted as a crass definition of “profit” then profit is common across all sectors, with excesses ranging from more than seven percent in the public sector, to nearly 25 percent among nonprofit institutions. The for-profit sector falls in the middle in terms of this definition, with excess revenues of 20 percent.

Looking at revenues and expenses in terms of where the money comes from and where it goes suggests different academic models for institutions depending on degree level and sector. Average tuition is lowest in the public sector across all degree levels, and highest in nonprofit universities (figure 7). For-profit schools and institutes have higher tuition than their non-profit counterparts, and are roughly equal at the four-year college level. Revenue also comes in from a variety of other sources, such as direct government subsidies, research grants, and auxiliary income from services such as dormitories or food services. By examining tuition as a percent of core revenues (figure 8), it is clear that public institutions keep tuition low by relying on other sources of income for 70-85 percent of their revenue. Private nonprofit institutions gain 50-60 percent of their revenue from sources other than tuition<sup>9</sup>. For-profit institutions, on the other hand, depend far more heavily on tuition as their primary source of income. This emphasis on tuition provides some context for the enrollment growth in the for-profit sector over the past decade. Because for-profit institutions are so tuition dependent, their financial viability is directly related to student enrollments, and building enrollments is tantamount to building the bottom line. The income generated by various sources is spent not only on the academic program, but also on administrative support, extracurricular student life, facilities maintenance, etc. Instructional expenses are one indicator of how much money goes to the academic program as compared to other activities. Instructional expenses vary by degree level, but except for two-year institutes, the for-profit sector spends substantially less than comparable public and nonprofit institutions (figure 9). The higher tuition that the nonprofit institutions charge, for example, translates into substantially higher instructional expenses. On a proportional basis, nonprofit colleges and universities spend between 56 and 60 percent of their tuition on instruction, while for-profit colleges and universities only spend about a quarter of their tuition on instruction.

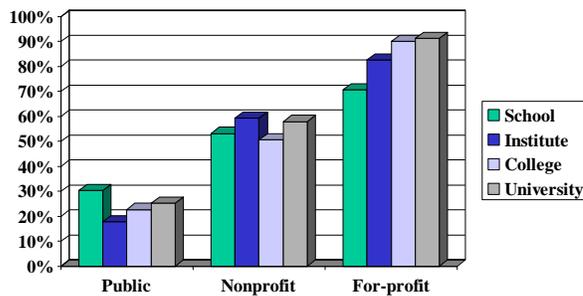
### Core Revenues and Expenses per FTE by Control



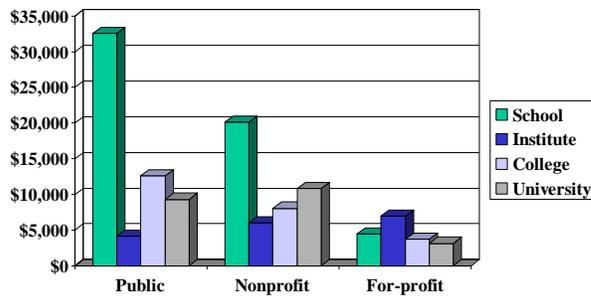
### Average Tuition by Control/Degree Level



### Tuition and Fees as % of Core Revenues by Control/Degree Level



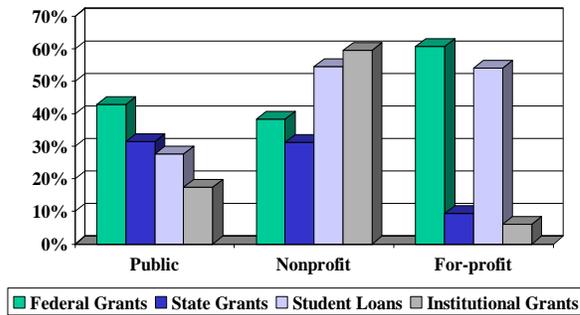
### Instruction expenses per FTE by Control/Degree Level



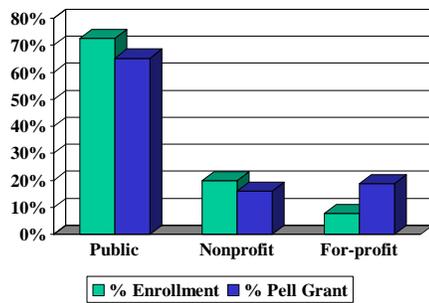
How students pay for tuition also varies. Out-of-pocket expenses are generally reduced through a combination of federal, state, and institutional grants, and student loans. Among public institutions, federal grants are most significant, followed by state grants, loans, and finally institutional grants (Figure 10). Nonprofit institutions have almost the opposite pattern, with institutional grants being most significant, followed by student loans, federal grants, and finally state grants. The for-profit sector, however, requires students to use federal grants and student loans more frequently, while receiving few state grants and offering little institutional aid.

Since federal grants are also important to public institutions, and student loans are significant to nonprofit institutions, a comparison with the for-profit sector shows the relative differences in overall use of these sources of support. Federal grants are primarily directed to students from low-income backgrounds through the Pell grant program. For-profit institutions take in a disproportionate share of these grants (figure 11), which may indicate they serve more eligible low income students than public institutions. Student loan default rates have been an ongoing public policy concern, and for-profit default rates have been under scrutiny since the program was opened to the sector in the 1970s. Even so, the for-profit sector continues to have higher default rates at each degree level as compared to public and nonprofit institutions (figure 12). This may be related to the income-dependent nature of loan repayment, and also reflect the types of students who tend to enroll in for-profit institutions. An alternative argument on both counts, though, is that for-profit institutions do not improve the income earning potential of their students sufficiently to justify the tuition levels they are paying. With limited independent data on student outcomes, however, it is difficult to support or refute this proposition empirically<sup>10</sup>.

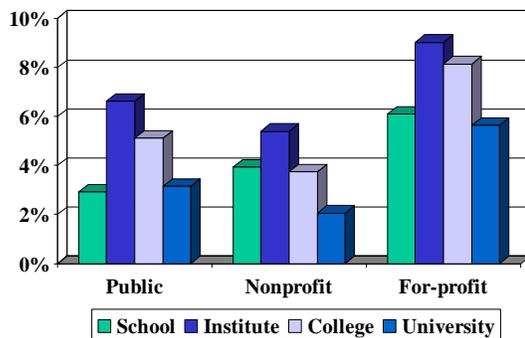
## Students Receiving Financial Aid by Control



## Federal Grants: Pell by Control



## Student Loan Default Rates By Control/Degree Level



## CONTRIBUTIONS TO ACCESS

The for-profit sector in the U.S. makes several contributions to access to higher education. At the most basic level, for-profit institutions increase the supply of higher education, opening space for students who may find limited options in the public and nonprofit sectors. Expansion over the last decade has added over a half million additional students, and nearly doubling the enrollment representation of the sector. From one perspective, the contribution seems greatest for low level non-degree programs, where the majority of institutions and enrollment is found in for-profit schools. Degree granting for-profit institutions, however, should not be overlooked. Although there are fewer locations, most students who choose the for-profit sector are enrolling in a degree granting institutions. The for-profit sector, then, gets credit for access in two ways. It is not only a major supplier of non-degree education, but also devotes the majority of its capacity to serving degree-seeking students.

In terms of capacity, however, for-profit institutions are generally quite small. Average enrollments are under 1000 students per institution, with most locations serving far fewer students than that. It is only at the graduate level universities, and among shareholder owned institutions, that larger institutions are the norm. Even there, though, the numbers are just a fraction of those enrolling at public institutions. From this perspective, the for-profit sector remains a marginal higher education activity. Contrary to some current observers (Tierney & Hentschke, 2007), its potential to seriously challenge public sector enrollment levels is constrained by the small size of for-profit institutions combined with limited number of locations at degree-granting levels. Even considering the national presence of a few large institutions and an expanding distance education market, for-profit higher education represents a quite modest student market.

The access potential of the for-profit sector is also constrained by program availability. For-profit institutions offer a fairly narrow range of programs that are for the most part competitive with public and nonprofit institutions only at the lower levels. Based on the most popular programs offered by each sector, there is some evidence that for-profit institutions are pursuing a strategy of distinctiveness and focusing on programs that are not common at public and nonprofit institutions. The for-profit sector has just two of the five top programs in common with the other sectors, while nonprofit and public institutions share four of five top programs. The two in common, however, show different patterns. Health professions in the for-profit sector is centered on lower level awards, suggesting a distinctive model. Business programs, on the other hand, seem to be pushing for a head-to-head competition at the higher graduate level awards. It may be that the for-profit sector can have some influence in a few targeted programs, while remaining on the competitive sidelines for the bulk of its activities.

The distinctiveness model suggested by program and enrollment figures is supported by the demographic distribution of students in the for-profit sector. Minority enrollment may be a market niche for for-profit institutions, and adult student populations at higher degree levels suggest some attraction to the for-profit model for those over 25. A slight advantage for women at most degree levels may indicate more programs targeted toward employment in traditionally female occupations, or perhaps alternative educational models are more attractive to degree-seeking women. Financial aid information further suggests that the for-profit sector serves a disproportionately large population of low income students. All of these demographic preferences hold across for-profit ownership models as well, with the exception of women in shareholder institutions, suggesting the demographic advantage may be less of a strategic decision than a natural fit.

Distinctive or not, the access provided by for-profit higher education does not come cheap. Tuition is substantially higher than at public sector institutions, and students receive less institutional aid to assist them in paying the fees than at nonprofit institutions<sup>11</sup>. Moreover, for-profit institutions devote less of their resources toward instruction (except at the two-year institutes), suggesting that high student tuition in the sector does not mean additional resources are available for the academic program. This does not necessarily mean that for-profit institutions are skimping on instruction (Lechuga, 2006). Rather, it may just be the results of standardization in the curriculum, taking advantage of lower level instruction and limited number of programs to develop efficient and scalable academic programs. Either way, the “profit” generated by these institutions (i.e., revenues minus expenses) is comparable to that of their nonprofit sister institutions<sup>12</sup>. This suggests that for-profit institutions are not simply pocketing the excess tuition, but are using it for other institutional expenses, such as administrative overhead, marketing, or other nonacademic purposes.

Of course access to higher education is not an end in itself. The value of education is increasingly seen in its potential to successfully transition students into the workforce (Grubb & Lazerson, 2004; National Center on Education and the Economy, 2006). Without independent data on outcomes<sup>13</sup>, it is difficult to assess the for-profit sector’s success in this area (Pusser, 2005). As tuition dependent institutions, however, it seems reasonable that providing an adequate return to students for their investment of time and money would be necessary in order to maintain enrollments and profits. The default rate on student loans, however, poses some concern. If students are defaulting because the tuition they pay does not result in sufficient earning after graduation, this may indicate an inadequate curriculum or programs that are mismatched to labor force needs. In this scenario, the for-profit sector is providing access, but little else<sup>14</sup>. Unfortunately, this debate cannot be solved with current data, and spirited opinions remain on both sides of the topic.

## CONCLUSIONS

The for-profit contributions to access are not easily summarized. On the one hand, the for-profit sector has clearly increased the availability of education. Demographic information suggests the sector has given additional opportunities to minorities, low-income students, and adults that they may not have found as readily in public and nonprofit institutions. On the other hand, for-profit institutions are generally quite small and specialized, and there remain some questions about the efficacy of a for-profit education when compared to the public and nonprofit sectors. One way of thinking about the access question involves considering whether a particular access path is required in order to maintain the capacity of the system to serve students. From this perspective, the for-profit sector is clearly a required access path at lower levels of education and perhaps also for certain programs. Another consideration is the extent to which access is facilitated by the addition of alternative paths. Here it seems that minority and adult students gain by having the for-profit option at their disposal. It is less obvious, however, whether the gains are dependent on the for-profit sector, or simply reflect an accommodating model that could readily be duplicated in the nonprofit and public sectors.

These varying perspectives on the access contributions in the U.S. for-profit case suggest parallels to debates regarding private higher education access in other countries<sup>15</sup>. There is an obvious tension between arguments regarding the financial efficiency of the private sector and concerns about the academic quality of its programs. The private sector can relieve the public sector of the obligation to serve additional students at state expense, improving access by allowing more students into the system. But this is often seen as a shibboleth by those who question whether those new students are well-served by the low-level programs most commonly offered by demand absorbing institutions. The U.S. for-profit sector reflects this tension. It provides additional opportunities for students where capacity is lacking in the public sector, yet does so at a high cost and with greater likelihood that students will not see an adequate return on their investment.

There is also a clear emphasis globally on the ability of the private sector to provide alternative access paths for higher education through institutional and program differentiation. The private sector expands access by focusing on program niches, new geographic regions, alternative delivery models, or specific student populations. The U.S. for-profits are successful here in terms of enrolling minority and adult students at a greater proportion than traditional public and private nonprofit sectors. The data also show the programs (with the exception of business) tend to be distinctive, at least in terms of their relative prominence in the sectors and the level at which they are offered<sup>16</sup>. The argument, however, that the for-profit sector is supporting access goals for students with particular needs or career goals must be balanced against the limits of the for-profit curriculum. Programmatically, for-profits are much less

expansive than the public and nonprofit sectors, creating a rather narrow access path for students to follow.

It is important to note, however, that outside of the United States, government subsidies are not typically available for students attending for-profit institutions. The financial aid data suggests the for-profit sector in the U.S. relies heavily on the availability publicly supported student aid. Without the framework of federal grants and loans, the for-profit sector in its current formulation would be untenable as a business and fail as an access path. U.S. For-profit institutions, therefore, are not independent entities. They exist in essentially the same regulatory environment as public and nonprofit institutions, and rely on public subsidies for their survival. Because of this publicly subsidized, yet for-profit, access path, their contributions to the overall system need to be better understood. Whether the model should be competitive and demand driven, or complementary and focused on supply, the access agenda should be focused on the cross-sector service of the public good.

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## NOTES

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<sup>1</sup> Revised presentation from a panel, “Private Higher Education and Its Access Role,” at the Conference of the Comparative and International Education Society (CIES) at Teachers College, Columbia University, New York, March 20, 2008. The topic of the panel was private growth in higher education in Asia and the Americas. The original presentations from the panel are available at [http://www.albany.edu/dept/eaps/prophe/event/event\\_CIES2008.html](http://www.albany.edu/dept/eaps/prophe/event/event_CIES2008.html).

<sup>2</sup> Access related to for-profit models of education have remained largely unexamined in international contexts. See Kinser and Levy (2006) and Kinser (forthcoming) for some comparative perspectives on the for-profit sector.

<sup>3</sup> One distinction between the U.S. for-profit sector and the private sector globally is that there are very few religious for-profits in the U.S. that are not of questionable legitimacy. Religious exemptions are part of several states’ regulatory procedures. These exemptions allow for-profit religiously oriented institutions to claim that they can operate without any oversight of secular authorities. This has long been recognized as a significant loophole in the degree mill universe (Ezell & Bear, 2005).

<sup>4</sup> This is a non-traditional interpretation of taxation. Typically, tax-exempt status recognizes institutions that operate primarily in the public interest. The evidence for public interest is both in the activity pursued, and how revenue from that activity is used. Education is clearly a public interest, but the pursuit of unrestricted profits is not.

<sup>5</sup> The database accounts for nearly all accredited degree-granting for-profit institutions. The major category not included is a dozen or so distance education institutions accredited by Distance Education and Training Council. The vast majority of accredited non-degree postsecondary institutions are likely included here as well, though because state recognition of non-accredited institutions at this level is widespread, it is much harder to determine what might be missing.

<sup>6</sup> Even with limitations, IPEDS can be considered fairly comprehensive with respect to degree granting for-profit institutions. For non-degree institutions the representative nature of the dataset is less certain. Because criteria for inclusion are the same for each sector, however, this does not compromise a comparative analysis.

<sup>7</sup> It is rare in other countries to have such a robust data source for private, for-profit institutions that allows direct comparisons to public and established private sector institutions. Thus the technique is unique to the U.S. case, even as the frame for comparison and conclusions generated have clear international parallels.

<sup>8</sup> In other words, most for-profit institutions are very small, whereas only a few with degree programs—such as the University of Phoenix—are unusually large (Kinser, 2006b).

<sup>9</sup> Most nonprofit institutions globally, however, are tuition-driven institutions and would be more similar to U.S. for-profits in having a significantly lower proportion of revenue coming from other sources.

<sup>10</sup> One could assume that the free market would regulate the behavior of students such that if they did not benefit from a for-profit education, they would not attend. Reliable assessment of future benefits may be

problematic, however, especially when the providers of higher education are more knowledgeable about their product than are the students who are purchasing it (Pusser & Doane, 2001).

<sup>11</sup> A counter argument is that a student can often complete a degree faster at a for-profit institution, thereby saving an extra year or two of tuition.

<sup>12</sup> This holds across all degree levels except for two-year institutes, where the nonprofits operate with only about a four percent “profit” margin.

<sup>13</sup> Some for-profit institutions have robust programs to assess student outcomes. Rarely, however, are these data made available for independent evaluation by anyone outside the organization.

<sup>14</sup> An alternative perspective is that students in for-profit higher education are more likely to default simply because they come from more disadvantaged backgrounds. This is a deterministic view that suggests institutions may have only indirect effects on student outcomes, making sectoral concerns irrelevant.

<sup>15</sup> Other papers presented at the CIES panel reflect examples from India (Levy 2008), Japan (Yonezawa & Honda, 2008), Mexico (Silas, 2008), and Thailand (Praphamontripong, 2008).

<sup>16</sup> Although not discussed here, additional data suggest greater emphasis on alternative academic delivery models (Tierney and Hentschke, 2007).