INTERNATIONAL HIGHER EDUCATION Number 71 Spring, 2013
Pages 12 - 13

The Quality-Profit Assumption

KEVIN KINSER

Kevin Kinser is associate professor at the University at Albany-State University of New York. E-mail: kinser@albany.edu.

Much of the criticism of for-profit higher education relies on an assumption of an unavoidable tension between quality and profit. This tension typically is framed in which the pursuit of profit is directly connected to reduction in quality, requiring countervailing external regulations, and explicitly enforced internal safeguards. An educational institution will make greater profit, in other words, if it provides lower quality. The regulatory environment is therefore a necessary bulwark against this possibility, setting a quality floor, beneath which private higher education loses legitimacy and government authority to operate.

The attractiveness of this position—in which profit reduces quality—comes in part from the traditional provision of education as an altruistic activity. The charitable purpose of education has historically been supported by the state in the public sphere and by religion in the private sphere. A new population of education providers emerged in recent decades; however, that has neither become state supported nor religious affiliated. They are dominated by obviously low-quality, demand-absorbing institutions. Campuses are more like storefronts and students like customers, with faculty holding marginal qualifications, and curricula pegged to minimal standards.

Because these new private-sector providers largely serve a student population that is unable to gain entry into the traditional institutions of higher education, they are able to charge tuition fees for the opportunity of educational access. Whether legally for-profit or not, this reliance on tuition fees and other operational characteristics suggests that many are for-profit institutions, even if in disguise (as Daniel C. Levy describes in the contribution to this special section). In any case, excess revenue generated by tuition fees demonstrates that the private sector is charging more for its educational services than services cost to provide. This is in contrast to the public sector, which often has higher costs, while charging the student less, and making up the difference through government subsidies.

The conflation of low quality and profit is suggested by this pattern. Low-quality programs are low-cost programs. Charging high-tuition fees for a low-cost program results in profit. Therefore, profit comes from low-quality programs. It follows, then, that since private-sector providers are making a profit, the quality of their programs must necessarily be suspect—as an imperfect logic. Simply because low-end, private-sector institutions are frequently seen making profits, from a poor product, this does not make quality and profit incompatible.

WHY THE QUALITY-PROFIT ASSUMPTION FAILS

Other routes to profitability do not require a low-quality product. The most familiar route is reducing costs for delivering an education program, gaining excess resources through improved instructional efficiencies. This could be done through increasing class sizes, standardizing curricula, and teaching practices, or accelerating time to degree through a modified academic calendar. Although efficiency may be a euphemism for cutting corners, it is also a strategy for reducing wasteful practices that can undermine more effective educational activities. A more efficient operation can serve the same number of students less expensively or more students at the same cost. Both are profitable outcomes for the private-sector provider that would not demand quality trade-offs.

A second route would offer programs that are already cheap to teach but priced higher by traditional comprehensive universities cross-subsidizing their own more expensive academic programs. The proliferation of business programs in private-sector institutions, for example, can be seen through this lens. These programs require no special tools or laboratory equipment, and the subject matter is well-established and accessible to nonspecialists. By itself, business is a low-cost program. But many traditional universities use revenue generated by business and other similar low-cost programs, in order to make higher-cost programs more affordable. Simply by not diverting this excess revenue to offset unprofitable programs, the private sector institutions' owners can earn a healthy return on their investments without reducing quality.

A third strategy that avoids the quality-profit connection is to reduce "frills" elsewhere at the university, thus grabbing profit from not having to support elaborate and expensive extracurricular activities. In the United States, the for-profit sector mostly avoids the typical amenities found on traditional campuses—such as athletic facilities, social organizations, and campus housing. Anything outside of the primary instructional mission can be eliminated, leaving all of the focus on the provision of a quality-academic program. Revenue that would go to support nonacademic features can then be converted directly to profit, and the integrity and quality of the program remain inviolate.

In these routes to profit, only in the first case should potential concerns about academic quality come into contention, and even then only if traditional curriculum delivery practices are determined to be essential to quality provision. The other profit strategies are taking advantage of the pricing strategies common throughout higher education. The quality does not have to suffer, nor do educational expenditures have to be less, in order for excess revenue to be generated. They can provide essentially the same instructional product as the public sector, while earning profit by reducing expenditures for extraneous activities.

QUALITY AND STANDARDS

A key question remains, however. Which aspects of a university education are extraneous and which are intertwined with a quality academic program? For example, to help poorly prepared students to be successful, any institution would need to spend money on nonclassroom activities like academic services, support, advising, extra tutoring, and others. Teaching may be cheap, but the student body is often quite expensive.

To be clear, a robust regulatory regime can still serve a quality-assurance function As the US case shows, specifically targeting for-profit higher education for regulatory attention may be necessary to arrest egregious violations of academic integrity in the name of profitability. Some activities are certainly illegitimate and should be prohibited. The aim of quality assurance, though, can be more than just the enforcement of minimum standards. It should be possible to discuss “good and better” without disparaging all but “the top.” The profit status of the institution may be one element considered in evaluating educational quality, but it should not be the decisive factor.