Evaluating For-Profit Higher Education

Evidence from the Education Longitudinal Study, North Carolina and Virginia

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How for-profit colleges rip off students
CNN - 4 days ago
Whitney Barkley says many for-profit colleges deceive students, charge exorbitant tuition and make false promises, and Corinthian is one of the ...

For-Profit College Grads Have The Same Shot At A Job...
ThinkProgress - Aug 19, 2014
In their television ads, for-profit colleges promise to deliver credentials that will jump-start students' careers. The people lured in by that ...
At Work: Does For-Profit Degree Pay Off for Job Seeker?
Highly Cited - Wall Street Journal - Aug 20, 2014
Explore in depth (9 more articles)

Going To A For-Profit College Won't Help You Get Hired
Huffington Post - Aug 18, 2014
A new study comparing graduates of for-profit colleges with those of cheaper community colleges found attending a school like the University of ...

Another For-Profit College Bites The Dust
Daily Caller - Aug 30, 2014
Nearly 10,000 students across the country are facing an uncertain future following the sudden collapse of another for-profit college system this ...
For-profit Anthem Education abruptly closes campuses after filing ...
Inside Higher Ed - Aug 29, 2014
Explore in depth (21 more articles)
Existing Evidence

- Mixed/negative results for attainment and earnings (Chung 2009; Lang & Weinstein 2012; Cellini & Chaudhary 2012)
- Using BPS, Deming, Golding & Katz (DMK 2012) found for-profit students had:
  - Higher aid application rates, higher Title IV loan & grant aid
  - Paid more tuition
  - Larger loan balances and default rates 6 years after enrollment
  - Less likely to be employed and reported lower earnings
  - Lower levels of satisfaction with their postsecondary education
Research Questions

• Are these results from DMK (2012) generalizable?
• Does high school ability make a difference?
• What is the full impact of for-profit college (fees/returns)?
• Do transfer students face similar impacts?
Data

• Education Longitudinal Study (ELS)
  – Nationally representative of 12th graders in 2004
  – High school transcripts, college and earnings data (2006, 2012)

• State administrative data (NC & VA)
  – NC 2001-04 cohorts, VA 2004-06 cohorts
  – College transcripts, transfer and earnings data (up to 2012)
Student Characteristics (ELS)

- For-profit students look a lot more like community college students than students in 4-year public and non-profit colleges:
  - Female and minority
  - Lower family income
  - Lower high school GPA; more GEDs
  - Teachers report poor behavior in 2004
  - Some delayed enrollment after high school
  - Most enrolled in Certificates or Associate degree programs
Tuition, Aid and Debt (ELS)

- For-profit students are in much worse financial position
  - During college: Higher tuition and loans (fewer scholarships)
  - After college: Higher Pell grants, total amount borrowed, and lower loan repayment
For-profit students are more likely to earn certificates and still be enrolled in 2012 than community college students.
Ability matters, FP education does not

- High school ability (Math and Read score in 10th grade, Math score in 12th grade, high school GPA, student effort and behavior in 12th grade)

<table>
<thead>
<tr>
<th></th>
<th>FP impact over CC</th>
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<tbody>
<tr>
<td>Certificate</td>
<td>8%</td>
</tr>
<tr>
<td>AA degree</td>
<td>19%</td>
</tr>
<tr>
<td>BA degree</td>
<td>30%</td>
</tr>
<tr>
<td>Idle</td>
<td>-1%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>-1%</td>
</tr>
<tr>
<td>Any job</td>
<td>-1%</td>
</tr>
<tr>
<td>Earnings in 2012</td>
<td>Not significant</td>
</tr>
</tbody>
</table>
The Puzzle Remains...

• Even adjusting for HS ability, FP students more likely than CC students to earn award and still be enrolled after 8 years

• But FP students experience no earnings advantage and are more likely to be unemployed

• One explanation is the work-school trade off
  – FP students work more during enrollment
  – Delay degree attainment
  – Accumulate less experience after earning a degree
Earnings trajectories by sector with 95% Confident Interval, $0 included
Work-School Trade-off (NC & VA)

- Assume:
  - 6 quarters in college and employment for the rest of the decade
  - Discount rate 5%

<table>
<thead>
<tr>
<th>PV Net earnings</th>
<th>NC</th>
<th>VA</th>
</tr>
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<tbody>
<tr>
<td>For-Profit</td>
<td>$ 5,400</td>
<td>$16,500</td>
</tr>
<tr>
<td>Private non-profit</td>
<td>$26,700</td>
<td>$28,100</td>
</tr>
<tr>
<td>Public</td>
<td>$12,300</td>
<td>$31,600</td>
</tr>
</tbody>
</table>
Conclusion and Policy Questions

• **ELS**
  – FP degrees and students valued less by employers
  – Quality of FP education

• **NC & VA**
  – FP students earn more during and less after existing college

• **Changing policy landscape for FP colleges:**
  – Possible reductions in funding for FP students?
  – Can quality control be enforced on the FP sector?
  – Would the public sector be able to accommodate all the students?