

Does History Repeat Itself? Putting the Current Criticism of For-Profit Education in Perspective

Northwest Career Colleges Federation

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June 16, 2011

Proposition

- For-profit education has gone through four cycles of serious criticism
- In response to each cycle, the sector has undertaken efforts to improve only to be criticized for the same problems in the next cycle
- Government regulation has increased in each of these cycles

Four Cycles of Criticism

- Early 1900's
- Post WW II
- 1992
- Today

Why the Animosity?

- Competition with traditional colleges
- Distrust of the for-profit commitment to education
- High debt load of students

Stereotypes

- We make generalizations about a group of people or an organization, whereby we attribute a defined set of characteristics to this group
- We reject evidence that is contrary to our stereotype and accept evidence that supports our beliefs

Why are Stereotypes so Hard to Change

- As we learn new contradictory information, we incrementally adjust the stereotype to adapt to the new information
- We usually need quite a lot of repeated information for each incremental change
- Individual evidence is taken as the exception that proves the rule

Traditional Criticisms that Support the Stereotype

- False advertising about programs
- Low standards for admission
- Inadequate resources
- Ineffective teachers
- Prepare students for low-paying jobs

Traditional Criticisms that Support the Stereotype

- High default rates/low repayment rates
- Stories of misled students
- Bankrupt schools
- Student lawsuits
- Inspector General or GAO investigations

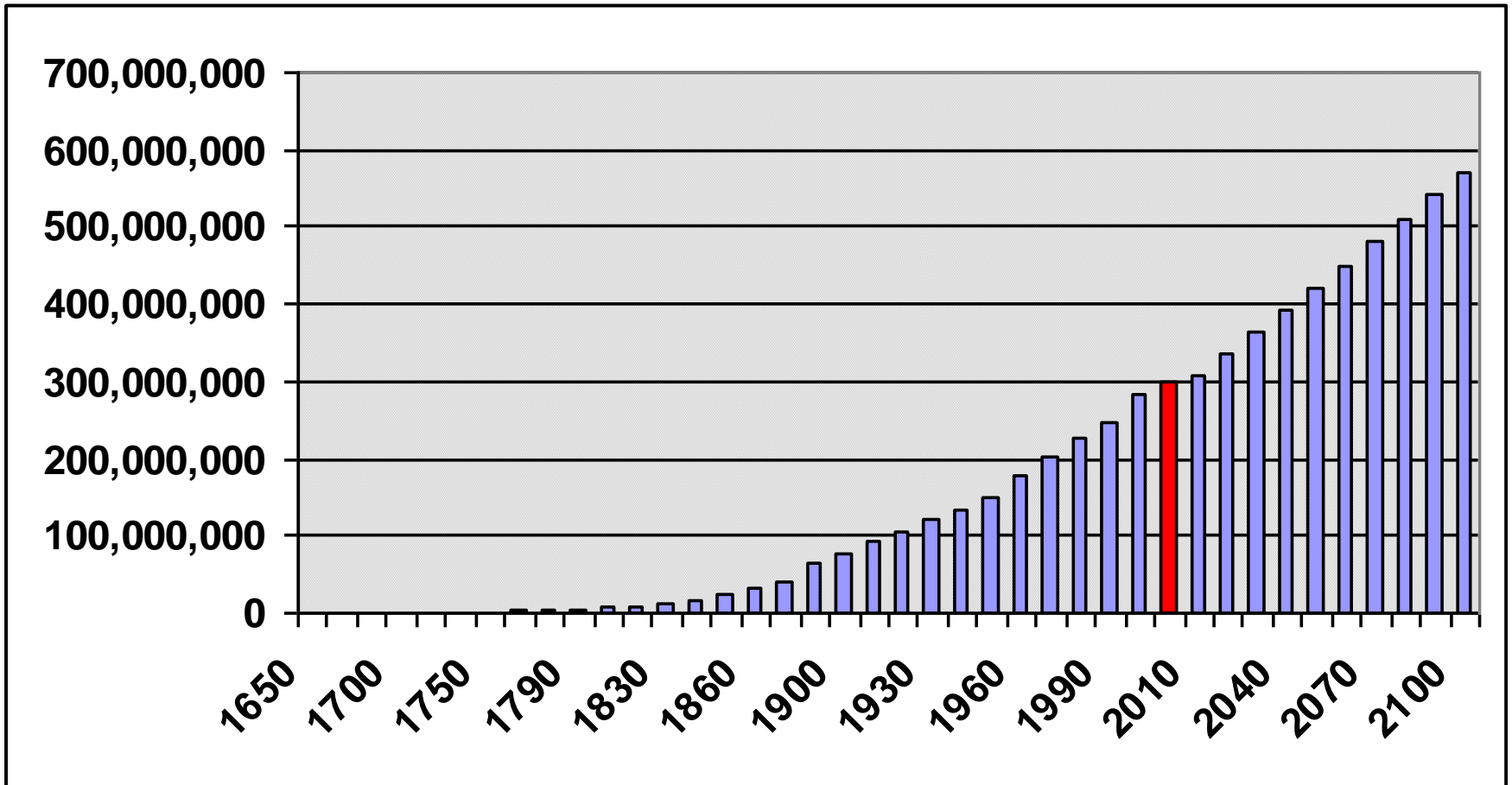
Efforts to Assure Quality Take Two Forms

- Government regulation
- Accreditation—self improvement

For-profit education and public/non-profit education have always been different

HISTORY AND FOR-PROFIT EDUCATION

Population Trend



Colonial Education

- All the early colleges; Harvard William and Mary, Princeton, Brown, Dartmouth and Yale were church related
- Not the same distinction between public and private, church and state.
- Harvard did not decide if it was public or private until 200 years after its charter in 1650

Proprietary Education in Colonial America

- Traditional colleges were almost exclusively dedicated to theology, proper conduct
- Master's, the forerunners of proprietary schools, taught practical skills, such as:
 - bookkeeping
 - mathematics
 - surveying
 - navigation
 - foreign languages

Benjamin Franklin

- Established the Public Academy in Philadelphia
- Grounded in applied and practical studies
- Expanded form of apprenticeship training
- Strong resistance to his ideas. At the end of his life he wrote that some people seem to have “*an unaccountable prejudice in favor of ancient customs and habitude.*”

Industrial Revolution

- In 1793, Eli Whitney invented the cotton gin
- The Cumberland Road, the first national road, was begun in 1811
- In 1844, Samuel F. B. Morse created the telegraph
- In 1846, Elias Howe created the sewing machine
- Zeth Wheeler patented rolled and perforated wrapping paper in 1871

Effects of the Industrial Revolution

- As industries and factories arose, people moved from farms to cities
- The new economy needed chemists, engineers, managers and accountants, few of which were being trained by colleges

Growth of For Profit Education

- Schools were established to teach business skills
- Help students make the transition from farms to industry
- Help immigrants prepare for jobs

For Profit Schools Filled a Need

- For-profit agricultural schools, the Oneida Institute in New York
- Often the first to offer training to women (colleges were mostly for men)
- Minorities (African-Americans and Native Americans were denied entry into college)
- Education for the blind and deaf (Galludet)

Bryant & Stratton was founded in 1863



Early Dates in the Changing Role of Colleges

- **1862**-the Morrill Act, the US government donates public lands to each state as a permanent endowment for a college that will emphasize the study of agriculture and the mechanical arts. Commonly referred to as land grant colleges.

Resistance to Vocational Training in Schools

- **1886-** The founding of the American Federation of Labor (AF of L). The AF of L is suspicious of introducing manual training in schools because union leaders see this as a ploy by management to weaken labor's control of entry into the most desirable crafts and trades.

Need for a New Class of Worker

- **1906** - A nationwide movement on behalf of vocational education culminates in the founding of the National Society for the Promotion of Industrial Education (NSPIE). The effort targets states, encouraging that each incorporate a full vocational curriculum.

First Wave of Criticism of For-Profit Education

- Unions want to protect control of apprenticeship programs
- Public school proponents see for-profit schools as competitors

Major Proprietary School Associations

- AICS (Association of Independent Colleges and Schools): 1912
- NACCAS (National Accrediting Commission of Cosmetology Arts and Sciences): 1924
- NATTS (National Association of Trade and Technical Schools): 1965

Second Wave of Criticism; GI Bill

- June 1944, the Servicemen's Readjustment Act (the GI Bill) offered a college scholarship to all those who had served in uniform.
- In 1947, veterans made up almost half the nation's college students.
- Paid for college, business technical or vocational courses, correspondence courses, apprenticeship/job training, flight training
- 3.5 million enrolled in for-profit and public schools, 2.2 million veterans who enrolled or re-enrolled in colleges and universities

Regulation of Proprietary Schools

- When the VA assessed the operation of the G.I. Bill, the 5,000 for-profit schools established since the enactment of the G. I. Bill accounted for the most abuses.
- Complaints about false advertising, high drop-out rates, fly-by-night schools

Step-up in Quality Control

- The G.I. Bill was modified so that only institutions with state approval could redeem veterans' stipends
- Further oversight was exercised by the Veterans Administration
- In 1952 GI Bill eligibility was limited to students enrolling at accredited institutions

Background to the Third Wave, Title IV

- The Higher Education Act of 1965 and the National Vocational Student Loan Insurance Act
- 1972 Amendments to the Higher Education Act
 - Established the Pell Grant
 - Established Sallie Mae
 - Recognized proprietary schools as equal partners

Growth of Title IV

- Bennett was Reagan's Secretary of Education starting in 1980
- Growth of the student loan program
- No oversight
- For-profits were awarded 30% of federal student aid

Third Wave of Criticism; Higher Education Act Amendments, 1992

- High default rate (first time calculated) perceived as an indicator of inferior education, 40% in for-profit schools and 10% for the rest
- Nunn Committee (Senate Permanent Subcommittee on Investigations) documented cases of fraud and abuse; “bad apples”

Higher Education Act Amendments, 1992

- The 90/10 (formerly 85/15) Rule
- Elimination of eligibility to participate in federal student loan programs for any college with a default rate of 25% or more for 3 consecutive years (or 40% or more in 1 year)
- Limits on student aid for correspondence and telecommunications schools
- Minimum instructional time requirements
- Minimum completion and job placement rate requirements
- Prohibit commissions, bonuses, and other incentive payments to school employees and recruiters
- Limited loan forgiveness for victims of fraud

More Federal Control of Accreditation

- Separated accreditation from the associations
- Accrediting agencies had to be recognized by ED to qualify students for Title IV

Mandated Areas to be Included in Accreditation

- Academic calendars, catalogs, publications, grading, and advertising
- Curricula and faculty
- Facilities, equipment and supplies
- Student support services
- Recruiting and admissions practices
- Fiscal and administrative capacity as appropriate
- Program length and [tuition](#) and fees in relation to the subject matter taught and the objectives of the degree
- Measures of program length in clock hours or credit hours
- Student outcome measures
- Default rate
- Record of student complaints received by the accrediting association or state agency
- Compliance with program responsibilities under Title IV of the Higher Education Act

Fourth Wave of Criticism, Today

- Gainful employment
- Loan repayment rate
- Overly aggressive recruiting tactics targeting low-income students
- High debt and low graduation rates
- Profit ahead of education

Same Story

- Criticism based on small case studies (GAO) and anecdotal stories
- Critics discount data that show better success than typically achieved by community colleges
- Want to apply restrictions to for-profit sector and nobody else

What can we Conclude?

Does History Help us Understand the Future?

- For-profit education has a long history in this country—always provided applied education
- Traditional colleges continue to stress liberal arts and general education
- Increasing government regulation and oversight
- Demand for trained employees will continue
- Increasing regulation will be part of the story

Pessimism or Optimism

- Pessimism—No matter what the sector does, the critics will never go away
- Optimism—The measurable contribution the sector makes in graduating students with employable skills that will help them be successful will be rewarded

Best Guess—Optimism

- The for-profit education sector has always shown flexibility to adopt to new circumstances
- Growth of student aid programs bodes well for the future
- Many students are poorly prepared for post-secondary education and do better in applied programs than they do in more abstract learning

Make it Hard on Your Critics

- Make money by providing an education that benefits society and your students
- Make student success the central goal of your institution
- Document the success
- Do what for-profit education has done in this country for over 300 years, provide a bridge to opportunity for all those who have no other option

End

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Increasing Public Investment in Vocational and Technical Education

Assurance of Quality

- First accreditation agency *in 1885* was the New England Association of Schools and Colleges