Insurgence, Retreat, Reinvention: US For-Profit Higher Education

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Abstract
The story of for-profit higher education in twenty-first century America opens new chapters on the possibilities and limits of for-profit sectors in mature higher education systems. This article summarizes dramatic for-profit enrollment growth in America in the 2000s, followed by regulatory pushback, consumer souring, and marked decline. Four possible for-profit futures are outlined.

In some countries, typically in the wealthy part of the world, for-profit higher education is an oxymoron: The profit motive is judged incompatible with pedagogic virtue and student welfare. Public higher education is the norm. For-profit institutions, if permitted at all, tend to be few, marginal, and specialized. Yet, in many emerging economies, profit-making institutions often spearhead higher education enrollment expansion, building capacity beyond the means of the state and nonprofits. The United States, home to the rich-country higher education system *par excellence*, makes an interesting case study. In the twenty-first century, for-profits have surged, retreated, and are in the midst of reinvention.

In 2000, for-profit higher education institutions in America, dominated by small, regional providers offering short-term nondegree career programs, enrolled 6 percent of the nation's undergraduates. By 2010, undergraduate enrollment in for-profit institutions had more than tripled to some 2.1 million students, many enrolled in bachelor degree programs.

What Changed?

For-profits spotted underserved populations—working adults experiencing economic and social pressure for the lack of a degree—and pitched them convenient, career-oriented programming. Many conventional colleges and universities also served such people but typically as a sideline to traditional students. For-profits, outspending nonprofits on marketing many times over and employing sometimes high-pressure sales tactics, made headway with dedicated facilities and classes in the evenings and at weekends, and were quickest to realize the potential of online learning. The most ambitious for-profit institutions also moved into graduate education, offering flexible master and doctoral degrees to aspiring professionals in less tradition-bound fields such as business, IT, education, and nursing.

Consolidation produced billion-dollar corporations—some publicly traded such as Apollo Group and DeVry—and significant profits. The lifting of bans on federal student financial aid at wholly distance-based institutions and the relaxing of strictures on incentive compensation for student recruiters unleashed commercial energies. For-profits exploited student aid rules not designed with giant corporations in mind, and the bonanza attracted some bad actors. The fact that students, not institutions, were responsible for repaying federal student loans insulated for-profits from the downstream risks of enrolling borderline students.

As the first decade of the century drew to a close, in the midst of the Great Recession, the for-profit sector had momentum. Championed by some pundits and officials convinced that conventional higher education needed shaking up, the for-profit sector positioned itself as relevant and responsive during an economic downturn. By 2010, for-profits had leapt to 13 percent of total enrollment in US higher education. For-profits seemed poised for further growth, and many nonprofit institutions feared for their revenue and market share.

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Downturn

Yet, by 2019, US for-profit higher education was a shadow of its former self. The for-profit promise—strong learning and career outcomes for nontraditional, time-pressured students—began to unravel as enrollment momentum translated into high attrition rates, questionable quality, and employer skepticism. Many vulnerable students, concentrated among underrepresented minorities, were left with little to show for their enrollment other than hard-to-transfer credits and a pile of debt. Cases of outright fraud were uncovered.

Federal regulatory pushback under the Obama administration compounded the turnabout, tightening student aid rules, complicating for-profit business models, and setting a higher bar for often lackluster student outcomes. Greater federal scrutiny was placed on the organization that accredited a number of the largest, most volatile for-profits. A number of major for-profit players, include Corinthian College, ITT, and Education Management Corporation collapsed under the pressure, souring consumer and media sentiment and tarnishing the for-profit higher education brand.

The record-breaking economic recovery between the end of the Great Recession and the COVID-19 pandemic, pushing unemployment to historic lows, took further wind out of the adult undergraduate market. Adult undergraduate enrollment fell 20 percent in less than a decade despite a stable underlying population.

For-profits faced more trenchant nonprofit competition. Jealous of for-profit success, and cognizant of a looming drought in traditional age students driven by falling birth rates, many nonprofit colleges and universities adapted aspects of the for-profit playbook. What were once hallmarks of for-profit exceptionalism—adult-friendly policies, digital marketing, online degrees—went mainstream. By the late 2010s, the largest adult-oriented, online institutions were no longer the for-profit University of Phoenix and Ashford University, but the nonprofit Western Governors University and Southern New Hampshire University.

Upper division for-profits focused on bachelor degrees saw undergraduate enrollment halve to under 600,000, and lower division institutions dropped to under 200,000 students. Graduate enrollment at for-profit institutions declined, too, but more modestly. For-profit institutions with significant graduate headcount were less implicated in the recruitment excesses and reputational headaches that many of the biggest undergraduate providers suffered.

What Is Next?

Four trajectories stand out. The first is nonprofit conversions. A number of the largest for-profit institutions decided that for-profit status was an inherent weakness. In some cases, notably Grand Canyon University, the for-profit split into a nonprofit institution and a for-profit services company. In others, such as what was Kaplan University and what is now Purdue Global, the for-profit institution was sold for a nominal fee to a major public university with the for-profit retained on a long-term services contract. Time will tell whether regulators or students wholly embrace such changes, and the extent of genuine brand transformation.

The second is a pivot of private capital into the online program management (OPM) business. OPM companies, such as 2U and Wiley, partner with nonprofit institutions to codevelop and deliver online degree programs. The marriage of conventional university brands and commercial operations, on a revenue share model, offers investors a position in the higher education market without wholesale recruitment and enrollment exposure.

Third, a variation on the OPM model, is a turn away from the degree emphasis of for-profit institutions and OPMs to nondegree programs. Coursera, and now edX under 2U, the large US MOOC platforms, are building businesses helping leading nonprofit universities create, market, and deliver inexpensive online noncredit certificate programs. Global reach offsets low margins. Credit pathways are an attempt to link nondegree momentum to degree programs at partner universities.

The final trajectory is least clear: direct-to-consumer reinvention by for-profit higher education institutions. Further consolidation has occurred, such as the combination of Capella University and Strayer University or the acquisition of Walden University by Adtalem Global Education. Competency-based learning, streamlining prior learning assessment, and personalizing student capability development has gained traction for a handful of institutions, doubling down on the for-profit mantra of speed, value, and customer service. Chamberlain University, now the nation's largest nursing school and also part of Adtalem, is striving to combine quantity and quality, demonstrated by above-average pass rates on the national nursing exam. Yet-to-be-defined hybrids of campus and online learning are under discussion at a number of for-profits.

In 2020, as the pandemic made online learning the default for most students, US for-profit enrollment rose for the first time in nearly a decade. For-profit experience in the online space was suddenly an asset, as many nonprofits struggled with "emergency remote learning." This lift may be short lived, but what is clear is that commercial players in US higher education will persist. So long as access, cost, and quality—challenges for mass-to-universal higher education systems the world over—remain friction points in the US system, the profit motive will be a source of new ideas—good, bad, and indifferent. Whether 2010 will stand as the peak of for-profit higher education in the United States, in terms of enrollment and market share, remains to be seen.

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