

**Abstract**

Latin America leads the world in the size of legally for-profit private higher education. This reality astonishes, given three contrasting realities: The region had zero such enrollment a quarter of a century ago; its for-profit enrollment is concentrated in three countries; and the size of its total private enrollment is only a third of that of Asia. Latin America's astonishing leap raises questions about what future for-profit private higher education might have in the vast remaining region.

## For-Profit Higher Education in Latin America: Exception or Precursor?

Dante J. Salto and Daniel C. Levy

**A** major new form of higher education—legal for-profit higher education—burst heavily onto the Latin American scene a quarter-century ago, yet remains largely unnoticed in most of the region, let alone beyond. Concentrated in just three countries, it is so weighty in two of them that Latin America leads all other regions in total for-profit enrollment, even as for-profit higher education grows in most regions. Will for-profit

higher education continue more as an exception in the Latin America region, or is it a precursor of a trend? To begin pondering such a consequential question, we must first gain a sense of the regional private higher education (PHE) context, and why and how exceptions have emerged and fared.

### **A Strong Private Club, but Nonprofit Only?**

Like the bulk of the world outside the United States, Latin America has had a mostly public higher education monopoly and public-dominant national systems since independence in the early nineteenth century. By the mid-twentieth century, however, Latin America had become the first region with PHE in nearly all countries. Today, with one out of two students in PHE, Latin America is easily the leading region in terms of the private share of total enrollment.

Whereas Latin America has had ample opportunity to accustom itself to the idea of PHE, the legal for-profit sector has burst in as a controversial new creature, even a competitor to both the private nonprofit and public sectors, generating considerable divisiveness. Even private nonprofits themselves, long regarded with scorn by their public peers as lower-tier institutions of dubious legitimacy, mistrust the new cousins and question their purposes. Nonprofits often join their public counterparts in denying the compatibility of profit and educational values.

Much confusion about legal for-profit boundaries derives from sloppily inconsistent definitions. It is surplus distribution to shareholders that legally defines profit-making institutions, whereas nonprofits ostensibly must reinvest all gains back into the institution. Misunderstandings arise largely from nonprofits taking advantage of the legal definition's tight bounds to benefit financially. Although discussions about "for-profits" often include anything from nonprofit sector revenue generation to nonprofits owned by international corporations (e.g., Laureate's large Mexican presence), those realities do not strictly define what constitutes *de jure* for-profits. Confusion also arises from nonprofits taking advantage of monitoring and enforcement difficulties to make and distribute profit illegally.

*Much confusion about legal for-profit boundaries derives from sloppily inconsistent definitions.*

### **The For-Profit Leap to the Global Zenith**

However much one could legitimately doubt the nature of much of its nonprofit PHE, Latin America has remained true to its European roots by preventing legal for-profit PHE well into the 1980s. This is despite having very much uprooted the tradition of public near-monopoly by having over 30 percent of total enrollment being private. Except for a Chilean niche in the 1980s, legal for-profit remained absent into the 1990s. Yet today, even as for-profit grows rapidly in most other regions, Latin America stands first in raw for-profit enrollment. This is especially striking considering that Asia's total private enrollment is three times that of Latin America. Equally startling is that still only five Latin American countries have for-profit enrollment, fewer than in Africa, the Arab region, Asia, or even Europe. Moreover, Latin America's for-profit PHE is concentrated above all in Brazil, followed by Peru and then Chile, while Costa Rica and Bolivia round out the list. Asia's for-profit enrollment is also concentrated in two large private sectors (in Indonesia and the Philippines) having major for-profit components. But neither of these approaches Brazil's in magnitude, and other Asian for-profit PHE does not make up the difference. Asia's three largest private sectors outside Indonesia—India, Japan, and South Korea—proscribe for-profit PHE. In this way, Asia's for-profit share of PHE (and of total higher education) is small compared to Latin America's.

Brazil is by far the Latin American *and worldwide* for-profit giant as it enrolls 3.3 million out of its 8 million students within the private for-profit higher education sector. Peruvian for-profits probably enroll more than 700,000 students. In both countries, the private for-profit sector enrolls more students than their private nonprofit or public counterparts. Nor is Chile's enrollment in for-profit postsecondary centers insignificant, though recent legislation may well cut a significant chunk from the estimated 343,000 students enrolled in that sector. Costa Rica adds about 40,000 students. Thus, for-profits in just these four countries (Bolivia is omitted for not providing official data or estimates) enroll about 4.4 million students, representing 32 percent and 17 percent of Latin America's private and total higher education enrollment, respectively.

Dante J. Salto is assistant professor, Department of Administrative Leadership, University of Wisconsin–Milwaukee, and associate of the Program for Research on Private Higher Education (PROPHE). Email: [salto@uwm.edu](mailto:salto@uwm.edu).

Daniel C. Levy is SUNY Distinguished Professor, Department of Educational Policy & Leadership, University at Albany, and PROPHE director. Email: [dlevy@albany.edu](mailto:dlevy@albany.edu).

Program for Research on Private Higher Education (PROPHE) contributes a regular column to IHE.

The key to for-profit legalization in both Brazil and Peru was presidential conviction that for-profits in disguise were fraudulent for the citizenry, their illegitimate nonprofit exemptions depriving government of tax revenues. Government thus forced extant and future private institutions to choose: real nonprofit or *de jure* for-profit. Quickly, those choosing for-profit status found market success in focusing on unmet access desires. These have facilitated the further massification of their systems, usually as low-tier, nonelite, demand-absorbing institutions. Prestige is concentrated in public institutions along with bold, nonprofit private exceptions, though some for-profits find useful job-market niches.

### **Here to Stay?**

Though the future of Latin America's for-profit PHE is of course unknown, we have some basis for informed speculation. The Chilean case illustrates swaying uncertainty. Latin America's modern regional for-profit breakthrough came to Chile, before Brazil or Peru. Yet Chile's permission, forced under the military dictatorship in the 1980s, was restricted to postsecondary training centers, mostly specialized in technical and vocational arenas. Legalization of for-profit never reached the university level and, with recent student protests and populist legislative changes, even some training centers are switching to nonprofit status.

Indicators from beyond Chile are also mixed. The huge recent spurt in Brazil and Peru suggests Latin America's foundational countries are not retreating from their for-profit path. Other cash-strapped governments may seek to follow suit in gaining tax revenues by peeling away nonprofit disguises. Meanwhile, the rapid for-profit growth in other regions could help legitimize the form, or at least provide further cover under which to meet growing demand without digging into COVID-impaired public budgets. Concentrated still in so few countries, Latin America's vast private sectors and continued overall higher education expansion might hold significant room for for-profit expansion in its other 18 countries. On the other hand, some countries might prefer to keep for-profits in disguise to avoid intensified open controversy. This is all the more likely as left-leaning populism spreads and student activism regains the visibility of yesteryear. The 2011 Colombia reversal of a proposed pro-for-profit project, like the Chilean student protests against profit, may counterbalance the forces pressing in favor of spreading legal for-profit PHE beyond its few present strongholds. ▲