



**P
R
O
P
H
E**

THE FOR-PROFIT SECTOR:

U.S. Patterns and International Echoes in Higher Education

By

Kevin Kinser and Daniel C. Levy

WP No. 5 February 2005

PROPHE Working Paper Series

<http://www.albany.edu/dept/eaps/prophe>

**PROGRAM FOR RESEARCH ON
PRIVATE HIGHER EDUCATION**

THE FOR-PROFIT SECTOR:

U.S. Patterns and International Echoes in Higher Education

By

Kevin Kinser and Daniel C. Levy

PROPHE Working Paper #5 ¹

February 2005

*** The Program for Research On Private Higher Education (PROPHE) seeks to build knowledge about private higher education around the world. PROPHE focuses on discovery, analysis, and dissemination. PROPHE neither represents nor promotes private higher education. Its main mission is scholarship, which, in turn, should inform public discussion and policymaking. PROPHE's Working Paper series is one vehicle to promote these goals.**

A list of PROPHE working papers and currently published papers are available online at PROPHE website <http://www.albany.edu/dept/eaps/prophe/publication/paper.html>. Hard copies of the working papers are available upon request.

Program for Research on Private Higher Education

Educational Administration & Policy Studies
University at Albany, State University of New York
1400 Washington Ave
Albany, New York 12222

Fax: 1-518-442-5084; Email: prophe@albany.edu

ABSTRACT

Analyses of private higher education should consider the increasingly important for-profit sector in many countries. Yet information on the for-profit sector has been quite limited. Even in the United States, where for-profit higher education is well-established, only recently have researchers turned their attention to studying its scope and impacts. While the growth of the for-profit sector is influenced by many of the same forces that have encouraged the global expansion of private higher education, including commercialization and privatization beyond higher education, the focus here is on identifying the international dimensions of for-profit higher education and defining its main types. We feature U.S. data and patterns as starting points for an international portrait. We outline the legal and regulatory aspects for-profit institutions, and note their often ambiguous status in many countries. And we propose a tentative classification of the for-profit sector based on the U.S. experience, beginning to apply it to the international context. Generally, while emphasizing the diversity of the sector, we highlight several tendencies of for-profit institutions of higher education that seem to hold in international analyses.

Analyzing For-Profit Higher Education

Analysis of contemporary higher education, especially private higher education, must increasingly deal with for-profit private higher education. In the United States, where nonprofit private higher education is extensive and often prestigious, the for-profit sector has grown dramatically in recent years, fueling discussion about markets and competition across all sectors. Meanwhile, in some countries with traditional public dominance, for-profit higher education adds a fresh dimension—sometimes encouraged, sometimes legally or otherwise suspect—to the global expansion of private higher education. In most countries, the private nonprofit sector remains more prevalent and important than the for-profit sector, which is often ignored or discounted by the public and nonprofit private sectors.

Researchers also have largely ignored for-profit higher education. The current literature on the sector is limited (though fast-growing) for the U.S. Elsewhere, it is paltry. This is often because of newness, definitional ambiguities, or for-profit self-interest against transparent information, particularly on finances. Even in the U.S., analysis is often heavily weighted toward a few large for-profits (Kinser, 2003). As a research program dedicated to building knowledge about private higher education, PROPHE must help come to grips with the extent and dynamics of the now major for-profit reality within private higher education².

This paper thus aims to advance an internationally sound identification of for-profit higher education and its main types. While our geographic scope is global, the U.S. is at the core. This is a reflection of reality, as the U.S. in many ways leads a global phenomenon. For-profit higher education is larger and more developed in the U.S. than elsewhere: of the roughly 9,000 postsecondary institutions in the U.S. nearly half are for profit (NCES, 2003a). Furthermore, several prominent U.S.-based companies have a global presence in the management of for-profit institutions, by establishing branch campuses in other countries, purchasing existing institutions, or marketing distance education curricula to an international audience. The paper identifies key contours of U.S. for-profit higher education and sketches the parallels or contrasts that can be discerned globally (although often tentatively)³.

At the same time, this inquiry is restricted in a fundamental sense, by not dealing with for-profit elements of either nonprofit or public institutions. These elements are growing and attracting great attention, and although the U.S. leads in this respect, it is far from alone (Kirp, 2003; Clark, 1998). Moreover, many of the driving forces of this expansion, as well as of privatization beyond higher education, are forces also fueling the growth of for-profit higher education institutions. Purpose and even many aspects of practice overlap among the sectors, but this paper focuses on only the for-profit sector.

From a global perspective, however, it is crucial to keep in mind that many private higher education institutions that are not legally for-profit display strong behavioral equivalency. The recognition of such reality, as well as a desire to tax, led Brazilian authorities in 1996 to permit the for-profit form (for both universities and other higher education institutions), while at the same time stipulating the requirements for other institutions to be nonprofit. In many countries, the growth of private higher education has spectacularly occurred without a clear legal framework, and sometimes for-profit higher education is neither legal nor illegal (Levy 2002). Nor is it clear whether the legal situation will or should be sorted out through laws on education, higher education, private higher education, nonprofit institutions, or training. In any event, much of what is reported here about for-profits applies to many other commercially oriented private higher education institutions as well. The quite blurry lines between for-profit and nonprofit institutions (and even sometimes public ones) are the subject of ample academic study and policy concern in many fields. As in higher education, it relates heavily to the commercialization of the nonprofit sector⁴.

Size and Scope

International data on for-profit higher education remain sparse, unreliable, and inconsistent. Nonetheless, it can be simultaneously affirmed that the growth is notable while enrollment percentages remain small. Many countries do not legally permit for-profit higher education institutions (e.g., Poland, Portugal, Russia, Tanzania, Uruguay) or at least are ambiguous as to whether for-profit institutions can be legally recognized. Other countries permit for-profits only in non-university sectors (e.g., Chile).

In fact, the bulk of worldwide for-profit enrollment tends to be in non-university institutions, often ones that grant diplomas below the standard first-degree (as in UNESCO level 5 rather than level 6). The vast majority of U.S. for-profit institutions serve non-university students. This remains true despite the fact that since 1990 universities have dominated the phenomenal growth of for-profits in the U.S.; although comprising just 6 of all for-profit institutions, they enroll more than 40 of the students in this sector. In any event, for-profits taken all together still account for fewer than 5 of total U.S. postsecondary enrollment. For degree-granting places, for-profits account for roughly 3 of enrollment and 19 of institutions. Table 1 provides additional data on the U.S. for-profit sector⁵.

Table 1. US FOR-PROFIT DATA

		Total U.S.	U.S. Private	For-Profit	For-Profit/Total (%)	For-Profit/Private (%)
Enrollment (2001)	Total	16,334,134	3,198,354	765,701	4.7	23.9
	Men	7,104,212	1,377,777	331,464	4.7	24.1
	Women	9,229,922	1,820,577	434,237	4.7	23.9
	Part-Time	6,588,536	851,421	126,720	1.9	14.9
	Full-Time	9,745,598	2,346,933	638,981	6.6	27.2
Degree enrollment (2001)	Degree-seeking total	15,927,987	3,694,831	527,501	3.3	14.3
	2-year degree	6,250,579	253,878	206,329	3.3	81.3
	4-year degree	9,677,408	3,440,953	321,172	3.3	9.3
	Non-degree	406,147	269,224	238,200	58.6	88.4
Faculty (1999)^a		1,027,830	315,000	30,000 ^b	2.9	9.5
Institutions (2000)	Total	9,258	7,028	4,338	46.9	61.7
	Non-degree	5,076	4,544	3,549	69.9	78.1
	2 year	1,732	656	512	29.6	78.0
	4-year	2,450	1,828	277	11.3	30.3
	Graduate (2001-02)	1,757	1,210	145	8.3	12.0
Degrees awarded (2001-02)	Associate	595,133	123,473	77,712	13.1	62.9
	Bachelor's	1,291,900	450,720	25,398	2.0	5.6
	Master's	482,118	232,298	14,264	3.0	6.1
	Doctorate	44,160	16,538	656	1.5	4.0

Note: Year in which data were collected is in parentheses. For historical data since 1980, see PROPHE, 2004.

^a Faculty numbers are for degree-granting institutions only.

^b Number of for-profit faculty is rounded to the nearest 1000.

Sources: NCES 2003a, 2003b, 2003c

For-profit higher education is most extensive where the private sector is demand absorbing and has a large share of total enrollments. That applies to some Asian and Latin American cases. Roughly two-thirds of Brazil's private institutions are now for-profit. The Philippines, with an 82 overall private share of enrollment, had 47 of all students in for-profits, including a few large and many small institutions, though the law since 1982 has insisted that new institutions be nonprofit (James, 1991: 193-204). In Malaysia, some 90 of private higher education institutions are reportedly for-profit. South Africa is a rare case in which the bulk of private higher education is legally for-profit (Levy, 2003), including more than three-quarters of the now 96 registered private institutions. But the extreme case appears to be Ukraine, where all privates (with about 16 of the country's total enrollment) are legally for-profit due to general skepticism about private institutions and the corrupt potential of "nonprofits" (Panych, Stetar, Cheng). Even before the reigning 1996 legislation, the private higher education institutions were private businesses or joint stock companies, while petitions to function as nonprofit educational institutions were refused. Other countries with legal for-profit higher education include Jordan and Peru. The case of Chile is particularly salient, with its "professional institutes" and its "training centers"—figuring a share of the former (the largest two institutes choose to remain nonprofit) and all the latter as for-profits, it can be estimated that for-profits hold about 18 of Chile's higher education enrollment.

Regionally, several Gulf states welcome and support for-profit provision. East Africa is more typical in that private higher education remains overwhelmingly nonprofit legally, though with growing profit characteristics (Thaver, 2003: 55-59). The domination of legally nonprofit over legally for-profit institutions appears to remain the case for Latin America, as it surely is for Eastern and Central Europe. Western Europe is the large region most exceptional in avoiding the private surge so far, and thus a for-profit surge⁶. Yet even Western Europe may not remain immune from the impact of related higher education privatization and the more general socioeconomic trends toward privatization⁷. Japan has just (2004) made legal provision for for-profit higher education, though only for certain districts, and so far there are only two for-profit universities. But the Japanese case, alongside the recent surge in the longer-standing U.S. case, indicates that for-profit private higher education is not restricted to the developing world. So does the establishment and growth of for-profits in New Zealand⁸.

Definition

The scope and size of the for-profit sector depends heavily on the definition of for-profit. In fact, it often depends on the definition of "higher education," since many countries allow for-profit institutions of "training" but not "education." For example, although Poland allows no for-profits among its roughly 300 private universities, firms provide some training in language and business areas, and

similar configurations hold in many countries. In China, the ministry has committed to setting up requirements concerning training institutions that require them to make clear their mission regarding profits⁹. As in other countries, for-profits are not eligible for government subsidies; where Chinese local governments have taxed private institutions they have in effect accepted them as for-profits. Russia is among many countries where education law not only insists on nonprofit status but also disallows tuition and fees that lead to profit—though enforcement is another story. Lack of a legal framework often allows for-profits de facto, whereas subsequent law sometimes then disallows them (as with Romania in 1995). Some countries may not explicitly use the term nonprofit while insisting on provisions that suggest it—e.g., a law in Georgia concerning the use of income. Australia illustrates dramatic attempts to create elite private higher education associated with for-profit initiative and indirect ownership while keeping the university legally nonprofit (e.g., Bond University). Kenya insists on nonprofit designation even where an institution is set up by a corporation (e.g., Daystar University), yet it is mostly silent on what marks nonprofit versus for-profit, and some training institutions take advantage, keeping themselves in the higher education category, as can also be the case for foreign providers in Kenya.

What emerges from this analysis is a slippery and murky definition of for-profit higher education, as often is the case regarding for-profit sectors beyond higher education alone. Distinguishing for-profits from nonprofits has often involved a “name game” (Frumkin, 2002: 10-16). Sectors overlap. Sectors blur. Sectoral labels partly deceive. The general legal delineation suggests that only for-profit institutions may distribute profits to owners, although the precise nature of “profits” and “owners” is elusive in a global analysis. So, then, we must be careful about when and how much to treat for-profit higher education institutions as distinctive regarding fundamental missions and purposes that challenge the eleemosynary justification of most private nonprofit colleges and universities.

Struggling to decide what to allow and what to label it, many countries are keen to know how the U.S. defines for-profit. The profit status of any U.S. organization is identified by the tax code. Not-for-profit educational institutions are known as 501(c)(3) organizations, after the section of the tax code that describes them. These institutions cannot be organized to benefit private interests, their assets must be permanently dedicated to charitable purposes, and net earnings cannot be distributed to owners or shareholders (IRS, 2003). For-profit institutions need not meet these stipulations. Rather, their “bottom-line” purpose can be to make a profit for their owners or shareholders. Reflecting this distinction, data on for-profit higher education in the U.S. are collected under a definition that describes these schools as “private institution[s] in which the individual(s) or agency in control receives compensation other than wages, rent, or other expenses for the assumption of risk” (NCES, 2003a).

Taken together, these definitions suggest that for-profit institutions of higher education are defined not by making money or “profit,” but by what they are able to do with that money. Nonprofit institutions can only use money left over after expenses are paid to develop the organization and continue its charitable or other nonprofit objectives, while for-profit institutions can essentially do whatever they want with it, including offering additional reward to their owners.

At least four complications arise with such definitional analysis. The first is that the claim that owners’ compensation is for the “assumption of risk” suggests a match between the risk assumed by the owners and the compensation they receive. Yet the profits earned may, in fact, exceed any true risk, particularly given that the providers of higher education are more knowledgeable about their product than are the students who are purchasing it (Pusser & Doane, 2001). Some owners will take advantage of this to engage in questionable student recruiting practices. In the U.S., for example, regulations have been established given concerns over violations by for-profit institutions, such as paying admissions officers a commission to enroll students and admitting students who have no “ability to benefit” from the education provided. In countries where the idea of profit is widely regarded as incompatible with true educational pursuits, the tendency is to regard any profit (and indeed many fees, even in nonprofits) as excessive. Thus, in 2003, the Indian Supreme Court clamped down on excessive tuition as well as special payments to gain entry to medical colleges. It declared that “education” was not simply “training,” and it raised great doubts about permitted profits. In India—as in the U.S. and elsewhere—nonprofits are often thought of as “charitable” institutions, which can greatly limit their leeway to serve owners or clients. The 2002 Chinese law allows for reasonable profit but leaves the determination of reasonable quite open to (government) interpretation¹⁰.

The second complication concerns the level at which for-profits educate, relating back to the question of what is “higher education.” Compared to nonprofit and public counterparts, for-profits around the world stand out for not providing particularly advanced education. Even when graduate degrees are offered, their academic standards have been regularly questioned in the United States and elsewhere. Should they be considered as higher education or grouped instead with training institutions? In the United States, for example, the nonprofit and public sectors have fought proposed legislation creating a “single definition” for higher education that would encompass all postsecondary institutions without prejudice as to their profit-making status. Traditional universities reject the suggestion that they should be considered under the same regulatory framework as the low-level trade schools that comprise the bulk of the institutions in the for-profit sector¹¹.

The third complication (sometimes intertwined with the question of “higher education” status) concerns the definition of what is in a country’s higher

education system, or lies in a murky international zone not covered by mainstream higher education law. For example, while Uruguay allows no for-profit higher education institutions, international for-profit universities offer courses in the country. Like Ukraine, some countries accept international management but lack international ownership. Other countries host both. Japan has not recognized foreign providers but likely will soon. For-profit universities and chains from developed countries such as Australia, the U.K., and the U.S. appear to dominate in direct offerings and in franchising, but for-profits from other countries (e.g., South Africa) penetrate regional markets. Where and when the international ownership secures local recognition is a subject that merits watchful analysis. So does the phenomenon of public and nonprofit institutions creating for-profit branches that operate abroad.

The fourth complication is simply that the other three complications also arise in the nonprofit and sometimes even in the public sectors. Indeed, commercialization, differentiation, and internationalization in these sectors increase the percentage of institutions or activity that is functionally for-profit; this is happening beyond higher education as well, with nonprofits turning “profits” at “record levels” (Frumkin, 2002: 172). In fact, both public and nonprofit private higher education institutions in Eastern/Central Europe, Africa and elsewhere are admitting “private” paying students alongside the public, subsidized students. Indian, Chinese, and U.S. public universities have been able to offer courses and many other activities to make money. As in China, they may be permitted to establish internal private units that can accept stock investment. Venerable U.S. public and nonprofit universities find themselves in the ticklish situation that their investments include for-profit companies engaged in U.S. and international higher education. Thus, even in the U.S., the functional distinction between a for-profit institution and a nonprofit one is not always obvious. While the tax code may draw a bright line, to many observers activities can seem remarkably similar irrespective of the institution’s profit-making status.

Nevertheless, because of both the dubious academic levels and a pursuit of “dirty profits,” and simply because they are new, unknown forms, for-profit higher institutions around the world typically confront great problems of legitimacy¹². Regarding education as properly a “public good,” many oppose allowing for-profits to operate. For-profits are seen as untrustworthy, guided by the wrong incentives, and thus often shoddy or inappropriate in their pursuits. Denigration of new privates by older established privates has occurred widely over the years; what is mostly fresh today is that the new institutions are sometimes mostly for-profit (e.g., Brazil), so that there’s a nonprofit versus for-profit institutional dimension. Of course, the for-profits respond that there is nothing wrong with profit per se and even extol the idea of bolstering options, access, and job relevance without depending on public subsidies or tax breaks. Further, in certain

instances—as the Ukrainian case suggests—local skepticism regarding nonprofit motives can make the for-profits a viable alternative for a private system of higher education. Detractors denounce for-profits as unaccountable to the public interest; supporters claim that direct accountability to stakeholders far surpasses that in nonprofit higher education.

Types and Classifications

A wide range of institutions comprises for-profit higher education, differing in their typical ownership, mission, curricula, pedagogy, clientele, and status. Yet there is no dominant classification of the for-profit sector or its sub-types. For Malaysia, Lee (1999) identifies types mostly by ownership: individual, companies, consortia of companies, publicly listed companies, and government corporations. The U.S. Education Commission of the States (ECS) refers to enterprise colleges, super-systems, and Internet institutions in a classification that utilizes both size and ownership to draw distinctions among for-profits (Kelly, 2001). South Africa’s small, locally-owned for-profits mostly fit the ECS enterprise college type, as “agency” institutions or as technical and vocational education training institutions, with a small transnational and corporate university presence (Kruss, 2003). In the U.S., for-profits are often grouped according to level of degree offered: these include degree granting two- and four-year universities, non-degree granting training and technical institutes, and industry specific institutions commonly referred to as “corporate universities.” With the exception of this last group, all are included in U.S. government-sponsored tabulations of the for-profit sector (NCES, 2003a).

Drawing off the U.S. and other cases, what follows begins to sketch for-profit types for potential international elaboration. Mutual exclusivity is not possible. Indeed there is overlap not just among the categories used below but then with other reasonable designations of types, such as family-owned institutions.¹³ Nonetheless, the approach here highlights some important characterizations of the for-profit sector to demonstrate its variety and complexity. And whereas the discussion begins with four categories, we then break down the fourth, degree-granting, in further detail. On the other hand, we leave aside Internet institutions; contrary to some stereotypes, for-profit education is overwhelmingly conducted face-to-face.

1. *Corporate universities* mostly train employees of the sponsoring business, though some have developed programs or curricula for a wider population, or have developed relationships with other educational institutions to provide joint degree programs. Where they train “their own” the immediate purpose may not be profit but rather building their human resource capacity to sustain long-term profit. Thousands of U.S. companies have these “universities” dedicated to employee training, though likely no more than a couple of

hundred offer curricula comparable to other postsecondary institutions (Jarvis, 2001; Meister, 1998). Some U.S. corporate universities also operate abroad. Domestic corporate universities exist in an undetermined number of countries, including, for example, South Africa (Fehnel, 2003).

2. *Corporate-owned universities* (or colleges) are different. Increasingly prominent, they are institutions owned by corporations that seek to make profits from providing educational services. The corporations tend to expand their holdings aggressively, either by opening branch campuses of a flagship campus (e.g., DeVry), or by purchasing existing institutions in other regions or countries (e.g., Laureate, formerly Sylvan¹⁴), or both (e.g., Apollo). A related phenomenon occurs, as in Chile and Mexico, where the corporation may purchase existing institutions, which remain legally nonprofit¹⁵. Leading examples of U.S.-based corporations with an international presence in higher education include Laureate (Europe and Latin America), Apollo (Brazil, Mexico, Netherlands, and India), and Career Education Corporation (France, England, and the United Arab Emirates). These corporations, along with companies such as Education Management Corporation, Corinthian Colleges, and Kaplan Higher Education also have a substantial presence in the U.S. and Canada. Non-U.S. corporations include Educor, a corporate group that owns several private higher education institutions in Southern Africa, most prominently the Midrand Graduate Institute. Corporate-owned universities may be large or small, well known or obscure. For example, Career Education owns both the American InterContinental University system with eight campuses in the U.S., England, and the Middle East, as well as little McIntosh College with one campus in New Hampshire.
3. *Non-degree granting institutions*, which account for half the U.S. for-profit enrollment and 82 of its institutions (NCES, 2003a), obviously do not offer degrees. They commonly provide relatively short duration programs, typically less than a year, and are associated with entry-level training in trades such as welding, as well as with truck-driving or beauty schools. Such institutions seem common in other countries, whether formally recognized as higher education or not. Some later “move up” into formal higher education status.
4. *Degree-granting institutions* are the ones most often recognized and counted as for-profit higher education worldwide. This is particularly true for those that clearly deal with a postsecondary curriculum. Most institutions, and the degrees they award, are at the non-university level. In the U.S., there are about 800 degree granting for-profits in operation; 500 of these are two-year (non-university) institutions. Nevertheless, substantial advanced education is provided by the remaining 300 four-year universities, half of which offer graduate degrees. In 2001, nearly 120,000 degrees were awarded at U.S. for-

profits: 65 were associate degrees, 22 bachelor's, 12 master's, and less than 1 doctoral degrees (NCES, 2003c). Chile's for-profits operate both degree and non-degree programs, and given that no Chilean universities are for-profit, the concentration of for-profits at non-university levels again becomes clear. Even when for-profits award university level-degrees, however, it should be understood that the curriculum does not typically show the scope or depth of the public university.

It is important to emphasize that many institutions offer both degree and non-degree programs. Corporate universities can offer non-degree programs, and corporate-owned universities include both degree and non-degree-granting institutions. Like some counterparts elsewhere, most U.S. degree-granting for-profit institutions also offer non-degree programs, and several U.S. for-profits offer a full range of awards, from non-degree certificates through graduate degrees. Many U.S. for-profits classified as four-year institutions award more two-year degrees than four-year degrees (Bailey, Badway, & Gumport, 2003). Counting is therefore complicated, as it is in other countries, by the institutional mix of different levels, mostly lower than the standard undergraduate degree level.

At least as important as the overlap between types of for-profit is the variation within each type. Because of its special importance and adapting the ECS model, this analysis divides the fourth category, the degree-granting for-profit, into two parts: (A) super-systems and (B) enterprise colleges.

A. *Super-systems* are higher education institutions with branch campuses across a wide geographical area. These institutions are comparatively large and tend to offer a much wider array of programs than do other for-profits. Some range from basic career training and specialized technical programs to graduate degrees in business, law, education, and psychology. In the U.S., super-systems such as the University of Phoenix, ITT, DeVry University, Bryant and Stratton, Strayer University, and National American University have grown spectacularly in recent years. In China, CIBT School of Business has six campuses with plans for 12 more. South Africa's Damelin College has 36 campuses, including two in Namibia and one in Swaziland. Like Educor-owned Damelin, many super-systems are also corporate-owned universities, including American InterContinental University (Career Education), the Art Institutes International (Educational Management), and the University of Phoenix (Apollo). Others, like Bryant and Stratton College, are family-owned institutions that have expanded into new regions. A few super-systems have locations around the world—like Hotelconsult César Ritz College with campuses in Switzerland, Australia and the U.S.—but most do not branch out beyond their home country or immediate neighborhood (e.g., DeVry University has campuses in the U.S. and Canada).

B. *Enterprise colleges* (or “universities”) are locally-oriented institutions, owned and managed by an individual, family, or corporation. This category appears to encompass all of Chile’s indigenous for-profits, none of which issue stock. Enterprise colleges are usually quite small, often with just a few hundred students at a single campus or small group of campuses. The curriculum is limited and usually job-focused. In fact, these institutions are generally narrow in most respects, including mission, undertakings, and (except for those owned by large corporations) financial base. On the other hand, the U.S. shows the international potential for access-based for-profits that are in some respects like public community colleges. Given the commonality of no or low tuition at public institutions outside the U.S., however, such for-profit options depend on demand exceeding public supply or on student perceptions that the for-profits are more efficient routes to decent jobs. At the same time, the super-system/enterprise college distinction blurs when corporations purchase small campuses and add them to a super-system (as Education Management has done with the Art Institutes)¹⁶. For the most part, enterprise colleges would appear to overlap with what are often called proprietary institutions, and some have emerged from what were correspondence courses¹⁷. South Africa shows how such institutions can move up to higher education, often after long histories as a country’s only private higher education (Mabizela, 2000). At any rate, by one name or another, enterprise colleges are by far the most common form of for-profit higher education outside the U.S., sometimes the only kind.

More complete classifications of the for-profit sector should consider many factors. One would be delineation from other higher education and non-higher education sectors. Others could include level and weight of programs, accreditation status, form or ownership, size, geographical distribution of campuses, and the extent to which “face” or distance delivery modes are employed. A combination of such factors could help identify and analyze the diversity of for-profit institutions. For example, Jones International University is a regionally accredited virtual university, owned by a private corporation, that offers bachelor’s and master’s degrees. ITT Technical Institute is a nationally accredited institution, with campuses across the U.S. and a joint program with a Canadian-owned for-profit business school in China. ITT shares trade on the stock exchange, and it awards two-year, four-year and graduate degrees, as well as non-degree certificates. Analysis should reflect such differences and certainly avoid any stereotype about the for-profit sector as a single entity.

Additionally, a classification must track and come to grips with private-public partnership (meaning more than just collaboration between separate institutions, but rather, formal affiliations). Often this involves a public university—bringing the academic status, social legitimacy, curriculum, and facilities—and a private college, bringing efficient ways of capturing a paying

market, providing access to less privileged groups, and so forth. Most of South Africa's private enrollments are in private-public partnerships (Levy, 2003), and most partnerships involve for-profit institutions on the private side. There is a bewildering array of private (often at least functionally for-profit)-public partnerships in China, India, Malaysia, Russia, and other countries¹⁸. Some involve international relationships. In the U.S., formal articulation agreements exist between the for-profit and public sectors to funnel graduates of two-year programs of one sector into the four-year degree programs of the other sector.

Closing Points

For-profit higher education is a multidimensional phenomenon. It cannot be described in simple terms. No single form or pattern dominates globally, or even just in the U.S., and generalizations should be made with caution, often tentatively. Nevertheless, this discussion closes by highlighting a few discernible tendencies about these institutions.

Information on the for-profit higher education sector is sketchy. Even where substantial statistical information exists, as in the U.S., significant gaps inhibit our understanding of who is participating, what curriculum is like, effectiveness, etc. The for-profit sector often flies under the radar of those who study higher education, and though this is beginning to change, evidence is still largely anecdotal, stereotypical, and superficial.

Though it is far smaller than nonprofit private (and, of course, public) higher education, and remains prohibited in many countries, for-profit higher education is growing remarkably. The growth is sometimes almost stealthy. Sometimes it ignites noisy debate. Identification of for-profit size and scope depends on various definitional issues, including what is training versus what is higher education.

While international expansion is occurring, most for-profit higher education is indigenous. Local regulation and control remain significant barriers to for-profit expansion, even where individual countries' regulatory environment becomes more favorable than before. The U.S. case suggests a trend toward mass for-profit higher education in terms of super-systems, but multi-national super-systems are rare.

For-profit curricula vary in terms of their level and focus, though generally the majority are below university level and focus on a few high-demand, business-friendly subjects. In some countries, this has limited competition with (and awareness by) public and nonprofit institutions, and has resulted in at least a temporary safe harbor for the development of a for-profit sector. In most countries, however, public universities are skeptical of the for-profit sector as legitimate

institutions of higher education, whereas the reaction from the private sector varies widely.

Particularly outside the U.S., by far the most common type of for-profit institution is the enterprise college or university. The term enterprise helps underscore the kinship between the for-profit phenomenon and the commercial tendencies of nonprofit private higher education (and even some public higher education).

Owners (often a particular family) and/or investors are typically powerful and determine the nature of the for-profit institution. Faculty are typically weak and may deliver the curriculum, rather than create it. Students and employers are ostensibly at the core of the for-profit model, but this is debatable by country, type of for-profit, and individual case. The roles of public actors—including public universities, accrediting agencies, and ministries—are quite variable, and often pivotal.

For-profit growth powerfully (and often extremely) underscores some major recent findings about private higher education expansion in general. Two broad confirmations deserve particular mention. One is the unanticipated nature of the growth, usually unplanned by public policy and unforeseen by scholars (Levy, 2002). Another is the sharp distinctiveness between this form of private higher education and traditional public higher education (Levy, 2004).

In sum, this paper has highlighted salient factors from the U.S. system and related them to for-profits in other countries. A comparative analysis illustrates where certain U.S. tendencies echo elsewhere and which do not, or echo less. Much that characterizes U.S. for-profits characterizes for-profits elsewhere, as it also characterizes many legal nonprofits elsewhere. In other words, the for-profit sector in the U.S. seems to be a prototype for private expansion of higher education, more so than is the large, well-developed nonprofit U.S. private sector with its research universities and prestigious liberal arts colleges.

From a variety of such global perspectives, for-profit higher education is much more significant than a simple count of for-profit enrollment around the world would suggest. Clearly, the growing presence of for-profit higher education worldwide—and its evolving impact on private nonprofit sectors and even on public sectors—will remain an important topic of research for the foreseeable future.

References:

- Abbott, M. (2005). *Private higher education in a mature education market: The New Zealand experience*. Mimeo, AIS St Helen, Auckland.
- Bailey, T., Badway, N. & Gumport, P. J. (2003). *For-profit higher education and community colleges*. Stanford, CA: National Center for Postsecondary Improvement, Stanford University.
- Clark, B. (1998). *Creating entrepreneurial universities: Organizational pathways of transformation*. Oxford and New York: Pergamon Press.
- Fehnel, R. (2003). Corporate classrooms: Trends and implications for South Africa. In G. Kruss & A. Kraak (Eds), *A contested good? Understanding private higher education in South Africa* (pp. 65-74). Chestnut Hill, MA: Center for International Higher Education (CIHE), Boston College and Program for Research on Private Higher Education (PROPHE), University at Albany, SUNY.
- Frumkin, P. (2002). *On being nonprofit: A conceptual and policy primer*. Cambridge, Mass.: Harvard University Press.
- IRS. (2003). *Publication 557: Tax-exempt status for your organization*: <http://www.irs.gov/pub/irs-pdf/p557.pdf>.
- James, E. (1991). Private higher education: The Philippines as a prototype. *Higher Education*, 21(2), 189-206.
- Jarvis, P. (2001). *Universities and corporate universities: The higher learning industry in global society*. London: Kogan Page.
- Kelly, K. F. (2001). *Meeting needs and making profits: The rise of for-profit degree-granting institutions*. ECS Issue paper. Denver, CO: Education Commission of the States.
- Kinsler, K. (2004). Sources of Legitimacy in the Private Sector: For-Profit Higher Education in the United States. Paper Presented at the Association for the Study of Higher Education International Forum. November 4, Kansas City, Missouri.
- _____. (2005). A Profile of Regionally-Accredited For-Profit Institutions of Higher Education. In Brian Pusser (ed.). *Arenas of Entrepreneurship: Where Nonprofit and For-Profit Institutions Compete*. New Directions for Higher Education, 129. San Francisco: Jossey-Bass.
- Kirp, D. L. (2003). *Shakespeare, Einstein, and the bottom line: The marketing of higher education*. Cambridge, Mass.: Harvard University Press.

- Kruss, G. (2003). More, better, different? Understanding private higher education in South Africa. In G. Kruss & A. Kraak (Eds), *A contested good? Understanding private higher education in South Africa* (pp. 19-32). Chestnut Hill, MA: Center for International Higher Education (CIHE), Boston College and Program for Research on Private Higher Education (PROPHE), SUNY- Albany.
- Lee, M. N. N. (1999). Corporatization, privatization, and internationalization of higher education in Malaysia. In P. G. Altbach (Ed), *Private prometheus: Private higher education and development in the 21st century* (pp.137-159). Westport, Connecticut: Greenwood Press.
- Levy, D. C. (2002). *Unanticipated development: Perspectives on private higher education's emerging roles*. PROPHE Working Paper #1. Albany NY. April: <http://www.albany.edu/~prophe/publication/Unanticipated.doc>.
- . (2003). *Profits and practicality: How South Africa epitomizes the global surge in commercial private higher education*. PROPHE Working Paper #2. Albany NY. February. <http://www.albany.edu/~prophe/publication/Profits.doc>.
- . (2004). *The New Institutionalism: Mismatches with Private Higher Education's Global Growth*. PROPHE Working Paper #3. Albany NY. January. <http://www.albany.edu/dept/eaps/prophe/publication/InstitutionalismWP3.htm>.
- Lovell, C. D. (1997). State Postsecondary Review Entities: One step forward and two steps back in state-federal relations? In L. F. Goodchild, C. D. Lovell, E. R. Hines & J. I. Gill (Eds.), *Public Policy and Higher Education: ASHE Reader Series* (pp. 338-344). Needham Heights, MA: Simon and Schuster.
- Mabizela, M. (2000). *Towards a typology of structural patterns of private-public higher education in South Africa: A contextual analysis*. Master Thesis, UWC.
- Maldonado, A., Cao, Y., Altbach, P. G., Levy, D. C., & Zhu, H. (2004). *Private Higher Education: A Bibliography*. Chestnut Hill, Massachusetts/Albany, New York: CIHE/Boston College, PROPHE/University at Albany.
- Meister, J. (1998). *Corporate universities: Lessons in building a world-class work force*. New York: McGraw Hill.
- NCES. (2003a). *Digest of education statistics*. NCES 2003-060. Washington, DC: U.S. Department of Education, National Center for Education Statistics.
- . (2003b). *Enrollment in postsecondary institutions, Fall 2001 and financial statistics fiscal year 2001*. NCES 2004-155. Washington, DC: U.S. Department of Education, National Center for Education Statistics.
- . (2003c). *Postsecondary institutions in the United States: Fall 2002 and*

degrees and other awards conferred: 2001-02. NCES 2004-154. Washington, DC: U.S. Department of Education, National Center for Education Statistics.

Panych, O, Stetar, J, Cheng, B. State Power in Legitimizing and Regulating Private Higher Education: Case of Ukraine. Submitted for Slantcheva and Levy.

PROPHE. (2004). *Data on private higher education in USA*.
<http://www.albany.edu/~prophe/data/PROPHEGenericDataTableUSA.xls>.

Pusser, B. & Doane, D. J. (2001). Public purpose and private enterprise. *Change*, 33 (5), 19-22.

Slantcheva, S. & Levy, D. eds. *In Search of Legitimacy: Private Higher Education in Post-Communist Countries*. Under review at Palgrave/McMillan.

Thaver, B. (2003). Private higher education in Africa: Six county case studies. In P.G. Altbach & D. Teferra (Ed.), *African higher education: An international reference handbook* (pp. 53-60). Bloomington: Indiana University Press.

NOTES

¹ This working paper is a revision of the authors' "For Profit Higher Education: U.S. Tendencies, International Echoes," in James Forest and Philip Altbach, eds, *The International Handbook of Higher Education*, Springer Publishers, 2005.

² For some citations on for-profits both in the U.S. and globally, see Maldonado et al 2004: p. 236.

³ Much of our information on non-U.S. cases comes from a survey conducted of the PROPHE network of scholars, and the authors are grateful for the responses.

⁴ Of course, for-profit institutions are part of the universe of private higher education, and exemplify the diversity inherent in the private sector in general. The blurring of distinctions between public and private higher education is also evident between for-profit and non-profit educational forms. In these cases, categorizing an institution within a sectoral category may not be sufficient to define its mission, functional attributes, or role within the educational system.

⁵ Statistical information on the U.S. case comes from the National Center for Education Statistics, U.S. Department of Education and summarized by PROPHE (2004); Additional data presented here are drawn directly from NCES reports (2003a; 2003b; 2003c).

⁶ Hanseatic University would be a German for-profit, seeking capital from share owners. It is presently seeking official degree recognition from the relevant state authority. It would try to prepare business leaders and respond to the financial problems of extant universities.

⁷ The sharp trend toward for-profits is certainly not irreversible. Turkey banned its heavily for-profit private higher education sector in the 1970s. (In the 1980s Turkey again allowed privates, but insisted they be nonprofit, though recent provisions have liberalized policy once again.)

⁸ In the last fifteen years, New Zealand has seen establishment and growth as part of broader higher education and political economic changes; strongest growth is in the "lower" academic levels of higher education. See Abbott 2005.

⁹ India's NIIT—prominent in information technology—is registered as a for-profit with the Ministry of Trade.

¹⁰ Taking the Chinese and Indian examples together with the Japanese shows that in the three Asian giants the for-profit issue is suddenly prominent and volatile in higher education.

¹¹ Public and private nonprofits in the U.S. generally chafe at being under the same regulatory framework as the for-profit sector as whole, regardless of the level of education the for-profit institutions offer. The trade school distinction, however, has historically been the emphasis of their arguments against this idea every time it becomes part of the regulatory discussion [see, for example, Lovell (1997, p. 341): a university is not the same “as a mom and pop dog-grooming school with a one-room store-front operation”]. While the institutional support and oversight debates are on-going, public and nonprofit institutions essentially lost the fight with respect to federal student aid programs. The student aid argument today is largely about the few remaining regulations that establish different eligibility standards for participation in these programs depending on the institution’s profit-making status. Non-degree granting trade schools are more likely to run afoul of these standards than are for-profit institutions that offer higher degrees.

¹² Legitimacy is a major challenge where private higher education lacks major tradition and deviates from public university norms. (See Slantcheva and Levy, in progress.) It logically follows, therefore, that for-profits face especially acute legitimacy challenges (See Kinser 2004).

¹³ Family-owned colleges and universities are sometimes legally nonprofit, sometimes legally for-profit, but even in the former case are often commercially oriented, as reflected in curriculum. In Asia alone, family-owned institutions are prominent in Thailand, South Korea, China, Japan, and the Philippines, among other countries.

¹⁴ In May, 2004, Sylvan Learning Systems was renamed Laureate Education.

¹⁵ Thus large for-profit businesses may operate corporate-owned universities in countries that do not allow for-profit higher education institutions.

¹⁶ It is more common, however, for the corporation simply to add a newly acquired institution to its portfolio without merging it with others to form a super-system. For example, Career Education’s McIntosh College is both a corporate-owned university as well as an enterprise college.

¹⁷ In the United States, however, correspondence schools have not generally become campus-based enterprise colleges. Rather campus-based for-profit schools have tended to expand into distance education, particularly during the internet boom of the 1990s. In addition, the two types of institutions have historically distinct origins. Current campus-based for-profits in the U.S. trace their lineage to accountant schools in the mid-19th century, while the correspondence schools began offering training by mail in the early 20th century, some fifty years later.

¹⁸ A speculation, not elaborated here, is that private-public partnerships may prove more viable when involving for-profit than nonprofit privates. This could help explain the expanse of partnerships in South Africa (where for-profits dominate among privates) as

well as the apparent difficulties in China, where some academically aspiring nonprofits find it better to remain on their own than to join with public universities.