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# For-Profit Learning Is Always Cheaper, and Other Myths

*By Jorge Klor de Alva*

For-profit higher education, particularly when delivered online, has consistently drawn attention for being efficient, scalable, and innovative. Successful for-profits tend to run smoothly at relatively low costs, and they invest generously in the kind of research that helps improve both the quality and delivery of their education.

These practices, along with flexible scheduling, robust student services, relevant programs, and successful recruitment practices, have made it possible for online programs at for-profit institutions to expand as quickly as student interest has grown. But in doing so, and in serving student populations previously underserved by traditional institutions, the for-profit sector has recently come under the type of scrutiny previously associated with the House Un-American Activities Committee.

Behind the harsh scrutiny by the Education Department and Congress (one former Ed Department official called it a "witch hunt") is the fact that online education—a medium that has only grudgingly been adopted by traditionalists—has become very attractive to nontraditional students, who make up the fastest-growing segment of higher education.

This situation has turned out to be a major problem for proprietary schools because such students, who tend to be disproportionately eligible for Pell Grants and subsidized loans, are the most likely to drop out, default on their loans, and start their careers at lower salary levels than their traditional, first-time, full-time peers. The latter tend to be both single and financially dependent, and to work fewer hours or not at all—characteristics of students who are most likely to complete their degree.

Ironically, online education, maligned because it has attracted such a large numbers of at-risk students who are failing to succeed, is being promoted by a growing number of governors and the Obama administration as a way to educate more students more cheaply. But as I argue below, online is not necessarily cheaper than face-to-face

education.

To add some light to the debate on for-profits, I would like to dispel several myths concerning proprietary online education that appear to be sustained by a general lack of information.

**The first myth is that online education has been aggressively marketed by for-profit colleges and universities because it makes possible huge classes of hundreds, if not thousands, of students, thereby sharply reducing instructional costs.**

The widely held belief that online education can lower faculty costs (the single biggest expenditure at most colleges) and reduce the need to build more buildings explains why many state officials and the executive branch of the federal government support online education. When it comes to public institutions, where some online courses can have as many as 400 students, and 45 to 100 students per course is not uncommon, the belief appears to be grounded in truth.

However, while for-profit institutions such as Capella and Kaplan Universities and the University of Phoenix educate hundreds of thousands of students online, their officials report that the average enrollment per course ranges from only nine to 18.

Accordingly, at Phoenix, as reported for August of this year, 470,800 students were being served by over 33,000 faculty members, for a student-faculty ratio of just over 14 to 1. This suggests that at the more successful proprietary online programs, a substantial investment must be made to educate each online student.

**A second myth, closely related to the first, is that for-profit online courses lack the rigor of their face-to-face counterparts.**

In small classes, such as the ones previously mentioned, students have a level of interaction with their professors that is rare at large public institutions, particularly during the first two years, when large lecture classes are common. Small classes allow for frequent assignments and substantial faculty feedback. They also make it difficult to cheat, because instructors have greater knowledge of both the abilities and idiosyncrasies of their students.

Given that most proprietary online programs focus on what a student is expected to know, as determined by experts in the subject matter, the level of rigor could be easily measured by comparing the

expected results in these courses to those found at selective institutions. However, until such research is done and made public, any assumption that these courses are easy must be based on mere speculation.

**A third myth is that employers are hesitant to hire graduates with degrees earned online from for-profit colleges.**

This is another myth that can be answered empirically. Although much research needs to be done in this area, the research to date, such as that found in the Imagine America Foundation (formerly the Career College Foundation) report "Economic Impact of America's Career Colleges," shows that the degrees and certificates of career colleges, whether earned online or not, are widely recognized by employers. Needless to say, as more heads of human resources become familiar with graduates of online programs, their willingness to hire those graduates can be expected to increase. Furthermore, many of the nation's largest employers, such as Wal-Mart, UPS, and AT&T, have agreements with the larger proprietary online colleges for discounted tuition rates, scholarships, or tuition-reimbursement programs.

**A fourth myth is that for-profit online colleges have a responsibility to maximize shareholder value and therefore put profits ahead of educational quality whenever possible.**

One answer to this myth is obvious: Self-interest alone imposes a logic of continuous improvement and quality assurance for any for-profit company working to be or to remain successful. In online higher education, this means that survival and growth (i.e., profitability) depend upon investing not only in the upgrading of operations and the platform used to deliver instruction, but also particularly in the continuous improvement of student achievement. In effect, for-profits have powerful incentives to remain in compliance and produce positive educational results, because if they fail to do so, they will find themselves without students or financial backing.

Online enrollment grows at for-profits because students see them as the best choice, and growth and profitability follow when students succeed in classes and earn degrees. To the extent that they do not, enrollments and profitability will necessarily decline, along with investor interest.

Another way to dispel this myth is to show positive academic and employment results for students in for-profit institutions. Despite the many risk factors of most students attending proprietary institutions, recent research by the Parthenon Group shows that graduation rates in the sector are relatively high—especially in two-year programs, where they surpass those of public community colleges—as are students' postgraduation employment and economic success.

For an example of positive comparative performance, Phoenix demonstrated in its 2008 "Academic Annual Report" that its student-learning results improved at rates equal to or better than those of comparable traditional institutions for similarly situated students. That is, first-year Phoenix students enroll with lower assessment scores than the national average on the Measure of Proficiency and Progress test, administered by the Educational Testing Service. But they reduce that gap significantly by their senior year, as measured by their improvement on the MAPP. Compared with students from comparable nonprofit and public institutions, Phoenix students demonstrated similar to better levels of improvement throughout the course of their education, especially in English and mathematics.

Disclosure: I am president of Nexus Research and Policy Center, an independent, nonprofit group whose primary donors are currently the Apollo Group, parent company of Phoenix, and the John G. Sperling Foundation. While we acknowledge that Nexus's objectivity may be questioned as a consequence of the sources that finance it, the recognized importance of its independence has led both Apollo and the foundation to not interfere with its governance, editorial policy, or research agenda, which is based on government and sector data available to all scholars.

Aside from the myths surrounding the for-profit sector and its online programs, one thing is sure: Given the innovative nature of for-profit education, we can expect this sector to lead the way into the future of online education. Already Phoenix is building a sophisticated technology platform, based on current research in the learning sciences and populated with computer-based smart tutors. Its expected capacity to adapt to students' needs will make this platform capable of improving the learning experience and performance of a broad range of learners, including those who are failing in today's online courses.

Maybe when innovations such as this one go mainstream, most of the myths will be dispelled. I believe that, so I'll hold my breath.

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