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LEAD-589-04-SP18: Capstone Seminar

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Abstract

In this paper, I analyze the dynamics of for-profit educational institutions in the United States and how some of them employ unethical practices to maintain high rates of enrollment while providing substandard services to the non-traditional students they serve. The intent of the paper is not to condemn all of the institutions in this industry but instead to point out the aspects of the educational system that bring negative results, pain and suffering to the students that put their time and money into an education they are led to believe will significantly improve their livelihood. The concept of the original creation of these institutions is in theory a bright solution to the demands risen due to a growing population that needs resources to improve their career skills and is also at a point in their lives where attending traditional colleges is just not feasible. Most of these individuals have made other choices throughout early stages in life that did not accommodate a traditional education at the time and find themselves later at a stage where they are ready to continue school but still have obligations to family and work. The for-profit educational institutions have emerged to fill the void left by the traditional colleges and, to some extent, they have been successful providing these services, but there are many that have taken advantage of the government programs available to veterans and low-income earners.

Keywords: For-profit, non-traditional students, G.I. Bill, gainful employment rule
Preface

I come from a traditional Afro-Latin-American family whose values are deeply rooted in the ongoing pursuit of the family unit wellbeing, that is, spiritually and financially. To accomplish these goals, education is regarded as extremely valuable, powerful and prestigious to succeed in our society. My family has always celebrated when any members attain progress in their education paths. I grew up in Panama, with college-educated parents, who always emphasized the importance of higher education, which was very much aligned with the local culture; it was not only my family’s values but the values of most of my friends and acquaintances so it was easy to feel comfortable with those ideas.

We left Panama because of the political atmosphere after I had spent 1 year in college and moved to Texas with family from my father’s side. I enrolled in junior college to continue my education but, after a couple of years, dropped out to join the military. My values had changed a bit after moving to the United States, and education was no longer my priority. I figured a full-time job with benefits was more important and my higher education could be completed later with the aid of the G.I. Bill provided by my military service. The couple of years I spent in junior college had been quite expensive in contrast to Panamanian educational institutions. Plus, my family’s financial situation had changed during the transition to the United States, and we depended on student loans in order to afford college. At the same time, in my early twenties, I was going through the difficult phase of feeling the need to become independent from my family. I believe it was all happening due to my struggle to adapt to the new culture and the embarrassment of not being able to completely transition to adulthood. I had no patience to wait until finishing college and felt it was necessary for me to obtain my independence differently, which in this new culture, did not seem unusual.
While in the military, I managed to complete my associate’s degree with a few more courses, but my bachelor’s degree took many years to obtain because of the high tempo and nature of my job. As I got older, I felt more pressure to complete my degree. Some of the factors that influenced the urgency were the fact that I now had my own kids whom I hoped would understand the importance of a higher education and having my military career nearing its end. I enrolled in different colleges depending on which duty station I was at the time, eventually completing my bachelor’s degree with transferable courses from five different schools while still on active duty. After retirement, I realized that I still had two years left of my G.I. Bill so I decided to use it on a master’s degree.

The reason I chose to apply for the master’s program at USD was because it was offered in person, not on-line courses, and because it was not a for-profit college. I was looking to stay away from the for-profit colleges because of the negative reputation associated with many of them. Many veterans who attend college nearly free of charge imagine that, upon graduation, they will be able to secure well-paying jobs in their fields of study; however, for many, this is not the case. Veterans are being aggressively recruited by enrollment counselors employed by for-profit colleges who want a piece of the G.I. Bill.
Introduction

Students attending for-profit colleges account for one in every eight American college students, either in class or on-line, and working adults have become a major factor in the enrollment structure within higher education institutions (Friedman, 2018). These working adults are considered non traditional students, who are generally thought to be over 25 years old and pursuing a bachelor’s degree or higher in a world with a constantly changing job market (Friedman, 2018). Originally, the purpose of this population was to acquire the needed skills to continue climbing the corporate ladder of the companies where they expected to make a lifetime career. Nowadays, most people are not staying in the same company throughout their entire career and even then, the opportunities to climb the corporate ladder within them are not as common as before (Milheim, 2005). Since stability and permanent employment in a company are no longer the common trend, adults are relying more on dual incomes to support their families and, therefore, more of them are returning to school to obtain advanced degrees, which not only allows them stay competitive in their fields but also prepares them for transitioning into other fields if necessary (Milheim, 2005). Currently, the working adult has to become more independent, marketable, extremely flexible, and adaptive in the skills they offer to employers. For-profit colleges grew rapidly due to the eagerness to increase the nation's college graduation rate and a need to help laid-off workers find new careers during the economic recession between 2006 and 2008. Back then, jobless people decided it would be a good idea to go to school and learn a new skill (Lang & Weinstein, 2012).

Background

This research paper analyzes the for-profit colleges that have surfaced as an alternative to traditional college education. Their success has been attributed to their capability of offering
complete degree programs in conveniently shorter time frames, flexibility of on-line classes, and extremely low demanding curriculums. This is personal to me because, during my years in the military, I noticed many troops getting lured into these colleges with the promise that they could benefit from the same rewards as if receiving a diploma from a traditional college, but they would find out later that some prospective employers would not recognize their certificates as legitimate or if they wanted to continue their education at a non-profit college, the college credits from the previous college were not accepted. For-profit colleges are in the business to make a profit and see financial returns for the owners and shareholders of the organization by offering a service, in this case education. Traditional colleges offer a learning environment designed to serve students’ interests; they operate independently of a business structure and are free to focus on a quality education for the students (Schade, 2014).

**Problem Statement**

It has become common practice from many for-profit educational institutions to deceive students into thinking that their accomplishments at these colleges are equivalent to the ones from students at traditional colleges. It is usually easier to get admitted to a for-profit college than to a traditional college. Admission standards for the for-profit colleges are so low that almost all applicants get admitted. Some college recruiters have gone as far as coaching prospective students to provide false information on applications in order to receive financial aid (Schade, 2014). If the negative consequences were laid out up front many would opt not to pursue an education in this manner. Legislation should be passed to require full disclosures to students being recruited. I usually advise to those around me thinking of pursuing an education to avoid these types of colleges, or, at least, to research the accreditation agencies and any news reports on lawsuits against them.
Analysis

Numerous colleges have popped out targeting mostly military veterans and non-traditional students with promises of flexible hours and unusually short terms for acquiring degrees. Studies have shown the consistent poor quality of education, low graduation rates, and subsequent lack of employment opportunities after graduation (Friedman, 2018). There have been articles written about the tactics used by dis-reputable colleges to recruit military veterans because of their easy access to government funding under the G.I. Bill (Harris, 2016). The emergence and growth of for-profit educational institutions are presumed to be, in part, due to the subsidies received from federal student aid programs. Under Title IV of the Higher Education Act of 1965, the federal government provides grants and loans to postsecondary students (Stockfisch, 2014). Title IV eligible educational institutions can receive up to 90% of their revenue from those federal aid programs, but income from the G.I. Bill does not count towards the 90% limit. For instance, for-profit colleges received $1.7 billion from military veterans’ benefits during the 2012-2013 academic year, 41% of all G.I. Bill dollars (Stockfisch, 2014).

To be Title IV eligible, a college must be at least 2 years old, have received accreditation from a U.S. Department of Education approved accrediting agency, and be licensed or authorized by the state in which it operates. Additionally, the college must have at least one full time program, although some of its shorter programs can also be approved for funding. To maintain eligibility for Title IV, the college must not exceed a maximum default rate on federal loans for students who have already completed or ended their degree or certificate programs (Cellini & Goldin, 2012). There are two programs that represent the federal aid available to college students: Pell grant and Stafford loan. Both are awarded on the basis of financial need, in which calculated data about a student's income sources and expenses are used to estimate their
qualification for the loan or grant. The Free Application for Federal Student Aid (FAFSA) is required for all federal and state grants and loans; some colleges require an additional financial aid application (Dynarski & Wiederspan, 2012).

Many military veterans who attend college nearly free of charge imagine that, upon graduation, they will be able to secure well-paying jobs in their fields of study; however, for many, this is not the case. Military veterans are aggressively recruited by enrollment counselors employed by for-profit colleges who are seeking to take advantage of the G.I. Bill benefits. Some recruiters even use incentives to lure the students into their colleges, such as free e-books, college credit for work experience previously acquired through the military, or promises of guaranteed job placement afterwards (Cellini & Goldin, 2012).

Corinthian Colleges, which was one of the largest for-profit college chains, went bankrupt after it was denied access to federal student aid by the U.S. Department of Education because of false advertising and exaggerations about student job placement (Harris, 2016). Most for-profit colleges advertise high job placement rates or guaranteed minimum incomes after graduation while non-profit colleges never make these types of promises; even Ivy League schools do not make such claims (Simon, 2018). Techniques, such as the pain funnel, are commonly used by recruiters who demoralize the potential students by suggesting negative life outcomes if they miss out on this once-in-a-lifetime opportunity, such as unemployment, failed marriages or addiction to drugs. Recruiters are forced by their employers to make calls to potential students with little information to schedule them for appointments, where they use psychological tactics to ensure enrollment. Recruiters have quotas to meet, and if they are not met, recruiters face punishment or termination. At the appointments, recruiters strategically hide facts such as student loan defaults or dropout rates, and they do not reveal total costs of
programs, which usually exceed the maximum tuition covered by the G.I. Bill, most likely requiring the students to apply for additional loans. Recruiters are also not upfront about the fact that most of these colleges fail to meet accreditation requirements or offer degree programs not recognized by many employers (White, 2014).

Most human resource departments and hiring managers at companies have considered degrees earned from for-profit colleges to be suspicious and are especially cautious of any degrees earned entirely online since these are the preferred methods of education from most for-profit colleges. The high dropout rate from these colleges might be a negative sign to employers about a person's character, normally causing employers to expect that this is not a person who can follow through with assignments (Lam, 2016). Usually, when students do get hired, they get started at lower salaries than the students from non-profit colleges, which could reflect that most employers believe graduates of for-profit colleges, are of lower caliber (Lang & Weinstein, 2012). A study found that, on average, students pursuing bachelor’s and associate’s degrees at for-profit colleges experienced salary cuts after they started their educational programs but most of these students were the ones who did not finish the programs (Lam, 2016). The study also found that six years later these students were making less than graduates from public colleges and had additional debts and no credible certifications (Lam, 2016). It is also possible that the variety in degree programs between for-profit and non-profit colleges is causing the differences in salaries. Students starting in associate degree programs at public or non-profit colleges enroll in a more diverse set of degree programs such as liberal arts and sciences and general studies majors (Lang & Weinstein, 2012). However, students starting in associate’s degree programs at for-profit colleges mainly enroll in vocational programs such as business, computer science, and health (Lang & Weinstein, 2012).
For-profit colleges educate a larger portion of minority and older students who are less likely to have received their high school diploma, have had a high school GPA above a 3.0, or have taken the SAT (Lang & Weinstein, 2012). They offer specific skills that traditional colleges do not; students can focus on the field of interest they are looking to find employment and get into the workforce in less time than the traditional 4 years (“For-Profit Colleges,” 2017).

Although, these colleges have greater success at retaining students in their freshman year and getting them to complete shorter programs, such as certificates or associate degrees, students end up with higher unemployment rates and lower salaries than students from non profit colleges (Deming, Goldin, & Katz, 2011). Consequently, students from for-profit programs default more frequently on their loans (Deming et al., 2011).

Students at for-profit colleges also account for nearly half of all student loan defaults. The private sector's portion of federal financial aid money grew from $4.6 billion to more than $26 billion between 2000 and 2010, about one quarter of all federal student grants and loans (Zagier, 2011). The Veterans’ Student Loan Relief Fund was formed to provide grants of up to $5,000 to qualified active-duty military, veterans and family members, who have accumulated excessive amounts of student loan debt and feel they have been defrauded or misled by the for-profit colleges they attended (Stockfisch, 2014).

Community colleges are the silent superstars here because they seem to fill in the gap between high schools and the 4-year universities in preparing students for colleges offering bachelor’s programs. They offer associate degrees and certificate programs at significantly lower rates than other institutions (Thomas, 2014). Course schedules available are also more flexible and accommodating for the working adult, with time slots during evenings and weekends (Thomas, 2014). However, as most public educational institutions, community colleges do not
invest in the kind of promotional advertisement the for-profit colleges do; therefore, they do not get the credit they deserve for the quality of education being offered (Thomas, 2014). Declines in enrollment at for-profit colleges after the Gainful employment act did not reduce educational attainment. In other words, the students enrolled in community colleges instead, costing a fraction of for-profit colleges; federal student loan borrowing and default rates also declined (Deruy, 2017). Furthermore, over 60% of the students who attend for-profit colleges do not complete their degrees, but those who finish their programs do tend to see a positive impact on wages. This is a minority of those in bachelor's programs. In master’s degree programs, where 60% of students complete, the impact is more clearly positive overall (Jaschik, 2016).

Government Intervention

President Obama took the initiative to signing an executive order mandating new education protections for military members and to cut off government aid for programs where too few students repay their loans or obtain decent paying jobs. The Obama administration issued the gainful employment rules which require schools to meet at least one of three conditions to continue receiving Pell grants and other federal paid tuition: a loan repayment rate by former students of least 35%, annual loan payments of no more than 30% of an average student's discretionary income, or annual loan payments that do not exceed 12% of a typical graduate's salary (Zagier, 2011). Until this executive order, these for-profit colleges have resisted accountability so, at a minimum, these Obama administration metrics must be protected from rollbacks; students and taxpayers deserve better transparency and accountability (Baylor, 2016).

When for-profit colleges were threatened with the loss of access to federal aid, the percentage of Pell-grant recipients who enroll, the low-income students who depend on federal grants and loans to pay for their higher education, who enroll declined by about 53% (Korn,
2011). Interestingly, enrollment at neighboring for-profit colleges also fell, even if they were not sanctioned, perhaps because the reputation of the entire sector was damaged by the sanctions (Kelchen, 2017). After the Obama administration imposed the regulating sanctions, some schools took action to improve their systems. Some schools have created their own social networks, new alumni association chapters, hundreds of student clubs and mentorship programs to better link students and alumni who could help students and graduates find jobs. Other schools have created programs that allow new students to attend classes for four or five weeks at no cost before deciding whether to continue. Additionally, many of them stopped paying incentives to recruiters (Zagier, 2011).

**Implications for Leadership**

The Kantian theory of leadership, according to Kant, human beings are morally obligated to act within reason, which he called an imperative. The categorical imperative rule of universality states that to “act only according to that maxim whereby you can, at the same time, will that it should become a universal law”, when applied to this situation it means that is only acceptable to deceive others if it is also acceptable to be deceived by others (Weston, 2013, p. 176). For instance, college recruiters at for-profit colleges who mislead prospective students about realistic outcomes would have to be okay with being misled by others.

Transactional leadership is a type of leadership where leaders incite compliance from their followers by way of punishments and rewards. Leaders practicing transactional leadership as a model monitor the work of their followers for faults which is ideal for emergency situations (Weston, 2013). This style of leadership was exercised by the Obama administration in an exchange model: rewarding schools for good performance with accessibility to federal funding, reflected on graduation rates and future student success; thus, gainful employment is an example
of contingent reward. Conversely, colleges with poor performances were being punished with government fines to the extent of some going into bankruptcy and eventually going permanently out of business. In these instances, management by exception was practiced by intervening when the schools were not meeting acceptable performance levels established by the Obama administration.

Situational leadership is the type of leadership in which the leader adjusts their style in order to fit the situation and the style of the followers. The foundation for this theory is that there is no single best leadership style. This theory can also be applied in this situation because the President of the United States and the Department of Education decide what level of participation needs to occur between themselves and the for-profit educational institutions in regard to their performance. Hersey and Blanchard categorized the leadership styles into four behavior types: directing, coaching, supporting and delegating. Effective leaders do not use one style all the time, they need to be flexible and adapt to the situation (Weston, 2013). In the previous administration, President Obama alternated between the directing and the coaching leadership styles while in the current administration, President Trump is oscillating between the supporting and delegating leadership styles.

Adaptive leadership is the process that leaders follow to survive and thrive. Heifetz and Linsky created three components to the process: preserve the elements necessary for survival, remove the elements no longer useful, and create new elements that enable the organization to thrive (Weston, 2013). Adaptive leadership is the approach that for-profit colleges need to apply when performance levels, low graduation rates, and subsequent lack of meaningful employment by graduates has been experienced. When school leaders realize that the goals and aspirations of
the organization are not being realized, change to processes is imperative until adequate results are obtained.

**Potential Solutions**

Maintaining better accountability of for-profit educational institutions is of importance to all residents since the success of for-profit educational institutions is in everyone’s best interest. When students attending them do not succeed and eventually default on their loans, the taxpayers are the ones who end up picking up the tab. One possible way to put pressure on legislators to ensure high performance from these institutions is by actively participating through a letter writing campaign. A personal letter written to the California State Assembly is the most common way of contacting California state representatives. Just one letter signed by concern citizens urging them to continue to impose the gainful employment act and the borrower defense to repayment rule would be highly effective in keeping some control on for-profit educational institutions. In the letter, I would also include the “not recommended” list of colleges, created by the Student Veterans of America, and recommend for it to be distributed among the military college resource centers in the local bases. Organizations such as this one play a key role in exposing the abusive practices of for-profit schools who continue to create college environments not conducive to veteran student success (Katzenberg, 2014). I belong to the Veterans of Foreign Wars, Silver Strand Post, where I can get other members who share my views help spread the word about predatory schools and their unprofessional practices.

A legislator may pay more attention to a legislative matter on which he or she has received a large amount of mail or signatures. Some of the largest veterans and military organizations have previously sent letters to the Department of Veterans Affairs asking it to crack down on colleges that prey on veterans by charging outrageous fees for degrees that mostly
fail to deliver promised skills and jobs. The letters were signed by high-ranking officials from the American Legion, the National Military Family Association, the Military Officers Association of America and 20 other groups. These high-ranking officials demanded for the department to improve its oversight of colleges that have engaged in deceptive recruiting and other illicit activities but continue to receive millions of dollars in funding under the G.I. Bill (Harris, 2016).

Lastly, although California is already a blue state controlled by the Democratic Party, which means it is in favor of tighter regulation of for-profit colleges, ensuring it stays that way in the next midterm elections is essential for the continued support of these sanctions against these predatory educational institutions.

Considerations for Future Research

Due to ongoing changes within the current administration in regard to policies regulating the operation and accountability of for-profit educational institutions, close monitoring of the political climate will be needed to determine what leadership approaches might have a positive influence in the quality of education obtained from these colleges. President Donald Trump and most right-wing conservatives have pushed back at what they view as a federal government overreach in regulating these institutions and that is something for-profit investors are counting on. After Trump’s election several for-profit colleges have seen their stock prices rise (Deruy, 2017). Moreover, the Trump administration has been rolling back the policies established by the previous administration that were in place to protect students who rely on federal loans for their education (Mitchell & Banerji, 2017). The Secretary of Education, Betsy DeVos, has withdrawn nearly all of President Obama’s measures intended to regulate federal student aid received by students attending for-profit colleges, which means that more students will get stuck with debts from years of education that have not produced any returns. The Department of Education also
announced that it would be given more time for appeals of poor performance by some for-profit schools under the gainful employment rule, which threatened to withhold federal funding from these schools whose graduate students end up with more debt than they can repay. Secretary DeVos also suspended the borrower defense to repayment rule, which erased federal loans for students who had been deceived by schools to convince them of borrowing money to attend. In light of this, nineteen state attorneys general have filed lawsuits against Secretary DeVos and the Department of Education in order to prevent any delays of the borrower defense rule (Douglas-Gabriel, 2017).

Additionally, Secretary DeVos announced that instead of fully forgiving students’ debt, the department will judge whether each student is deserving of relief based on their incomes. Students earning at least half of what their peers earn per year, on average, will be determined to have benefited from their degrees, even though they were deceived into studying at the for-profit schools. Students earning considerably less than those in their age group will be given full debt relief (Rosenblatt, 2017). DeVos's proposals for changing student loan forgiveness programs have come under attack this year, with critics noting that the secretary has held investments in a student loan collection agency and hired the CEO of a private student loan company to head the Office of Federal Student Aid (Conley, 2017). Basically, the Department of Education’s goal is to minimize government regulation, without taking into consideration the concerns of the student loan borrowers while enriching a high number of for-profit institutions at the expense of those enrolled in college.

**Conclusion**

There are individual students who benefit from all kinds of offering at for-profit colleges, and some for-profit colleges do better than the averages show. These colleges educate non
traditional students who would not otherwise attend college and who therefore benefit from their
existence. Without a career-focused degree or certificate program, these students would not have
an opportunity to improve their earning potential. The fact is that others in higher education
simply do not serve new traditional students; therefore, it is noteworthy recognizing the positive
level of performances from the institutions that strive for consistent available opportunities to the
non traditional students and encourage them to continue the improvement of this most needed
resource. If we are serious about advancing economic opportunity for veterans and non
traditional students, we need to work collaboratively across all of higher education to focus on
what works and does not work and provide access, opportunity and outcomes to all veterans
seeking to improve their livelihood.
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