NBER Study Analyzes For-Profit College Outcomes

By Don Sutherland

The National Bureau of Economic Research (NBER) published a **study** aimed at examining a variety of student outcomes for attendance at for-profit colleges. The study was undertaken by Luis Armona of Stanford University, Rajashri Chakrabarti of the Federal Reserve Bank of New York and Michael F. Love heir from the Department of Policy Analysis and Management at Cornell University.

The study was undertaken as for-profit college attendance has increased from 450,000 students in 2000 to more than 1.3 million in 2015, in part due to a 60% increase in the number of for-profit institutions. The report notes "growing concern" about the combination of higher tuition rates charged by for-profit institutions relative to their public peers and student outcomes including debt and labor market-related developments. The fundamental issue they seek to address is, "Whether students and taxpayers would be better served by shifting attendance from for-profits to these other similarly-selective local options," is one that is "currently is poorly understood."

At the four-year level, their findings are decidedly negative. They observe:

The four-year estimates point consistently to negative effects of enrolling in a for-profit college on student outcomes. Relative to their public counterparts, enrolling in a for-profit institution increases the number of loans by one, increases the size of loans originated by over $3,300, and leads to an 11 percentage point increase in the likelihood of loan default. There is some evidence for-profit students are less likely to graduate and that they have substantially worse labor market outcomes as well.

At the two-year level, they find:

Estimates among two-year and less-than-two-year student are less precisely estimated but are consistent with worse outcomes among for-profit students. These students take out more loans, originate over $6,000 more in loans, and are much more likely to default. They also experience lower likelihoods of employment and lower earnings on average, but they are more likely to earn over $25,000 (the median earnings of high school graduates).

They also revealed that for-profit students appear more likely to graduate than community college students. However, it is unclear whether the numbers are skewed by the ability of community college students to transfer to four-year institutions prior to receiving their Associate's Degree.