

For-profit universities thrive on unemployment

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With unemployment at the highest level since the Great Depression, millions of workers have sought to improve their job prospects by continuing their education. Since public universities have drastically slashed admissions, the main beneficiary of this process has been the for-profit college industry, which provides degrees to students at rates far higher than that of standard colleges.

These so-called “career colleges”—primarily online institutions like the University of Phoenix, Capella, DeVry, and Kaplan University—hold out the false promise of a secure future, telling students that a college degree will enable them to find work.

Since 2000, enrollment in for-profit colleges has tripled, growing from 673,000 students to over 2.6 million in 2010. The University of Phoenix, the most prominent of these colleges, is now the second-largest higher education institution in America, after the State University of New York (SUNY) system. Its enrollment of nearly half a million students is larger than all Big Ten campuses combined, but its “instructional costs and services”—the total employee compensation—is \$400 million, less than that of the University of Iowa, the smallest of the Big Ten’s public universities.

This growth has been largely a result of predatory recruitment and lending practices, in which these colleges seek to extract profit from the desperation of the poor and unemployed. Many of the programs are shot through with fraud and corruption, and rely on systematically misleading statements to dragoon potential students to sign up.

In Illinois, 350 former nursing students are suing the Illinois School of Health Careers after discovering that the program they enrolled in was not approved by the state Health Department. The students were not eligible

to work as nurses with their degrees despite claims by the college that they would be “immediately qualified to take the state board exams.”

In December, the Apollo group, the Fortune 500 that owns the University of Phoenix, paid a \$78.5 million fine for illegally paying recruiters based on the number of students they enrolled. This practice naturally led to abuses, as recruiters targeted anyone they could convince to enroll, regardless of their qualifications or ability to afford the classes.

These companies have profited significantly from federal student loan subsidies. Last year the University of Phoenix received \$4.3 billion in income from federal student aid, nearly eight times as much as the largest non-profit recipient, Penn State, according to a report by Senator Dick Durbin.

One for-profit college recruiter commented in an online discussion that “we slam anyone...eligible for title IV funds...to take classes at almost \$1,200 a five-week class. It doesn't matter if they have the competence or aptitude.”

As a result of these policies, recruiters at for-profit universities have turned to preying on the most defenseless sections of society. On June 17, 20 leaders of shelters and services agencies from across the country sent an open letter to Education Secretary Arne Duncan, complaining that recruiters were “systematically preying upon our clients.”

The letter said that “the for-profit education industry’s seductive marketing messages and well-trained, unethically-incentivized recruiters are outmaneuvering lower-priced, higher-quality post-secondary alternatives. For-profit recruiters opportunistically target homeless men, women, and youth, luring them into taking on thousands of dollars in excessive debt.”

Indeed, for-profit universities rely on a far-more indebted student population than those of public universities. Ninety-six percent of students take out loans to pay for school at four-year for-profit schools, compared to only 64 percent of students at four-year public colleges. As a result, the average student at a for-profit university graduates with \$29,900 of debt—\$19,000 more than their peers at public universities, according to data from the College Entrance Examination Board.

Meanwhile, only a tiny fraction of students end up receiving degrees from these universities. Only four percent of University of Phoenix students graduate within six years, versus the national average of 57.3 percent.

Contrary to the deceptive claims of the for-profit education companies, even the small minority of those who graduate hardly benefits. A study by the industry's own Online University Consortium found that employers prefer graduates of traditional school more than 4 to 1 over online college graduates.

Students are often led to believe that they can transfer their credits at for-profit universities to those at standard schools, but this is rarely the case. One worker at the University of South Florida admissions department told the *World Socialist Web Site*, “We would get a lot of people with degrees from for-profit universities who couldn’t get any transfer credit at USF. The students assumed their credits were just like those at any community college, and that they would be able to transfer. They were not told that their degrees weren’t accredited by the state. They usually spent 10 times more per credit at these schools, on totally worthless degrees.”

Employees at for-profit universities are treated no better than the students. Lecturers are paid as little as \$850 per five-week course and are hired on single-course contracts, with no job security from term to term. Academic advisors have reported working with over 400 students at a time in what are essentially high-pressure, high-turnover sales jobs, which involve little “advising” other than signing up more students.

While some Congress members have raised these issues, with the Senate holding a hearing on for-profit universities in late June, they have made it clear that their main intention is to protect wealthy investors. The massive amounts of student loans given to “high-risk”

students raises the threat of another default crisis similar to the implosion of the subprime housing market, holding the potential to wipe out billions of dollars in holdings.

While the Obama administration had announced on June 16 that these concerns would lead it to propose regulations of for-profit universities, recent statements by the administration have indicated that it fully supports these predatory institutions.

In a July 19 email statement to *Businessweek*, Education Department spokesman Justin Hamilton said that the White House’s proposal will strengthen the “critical role for-profit schools will play in helping us meet the president’s 2020 goal: for America to once again lead the world in the number of college graduates.”

With that, Mr. Hamilton all but announced that for-profit colleges will be allowed to con and defraud workers with the full support of the White House.



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