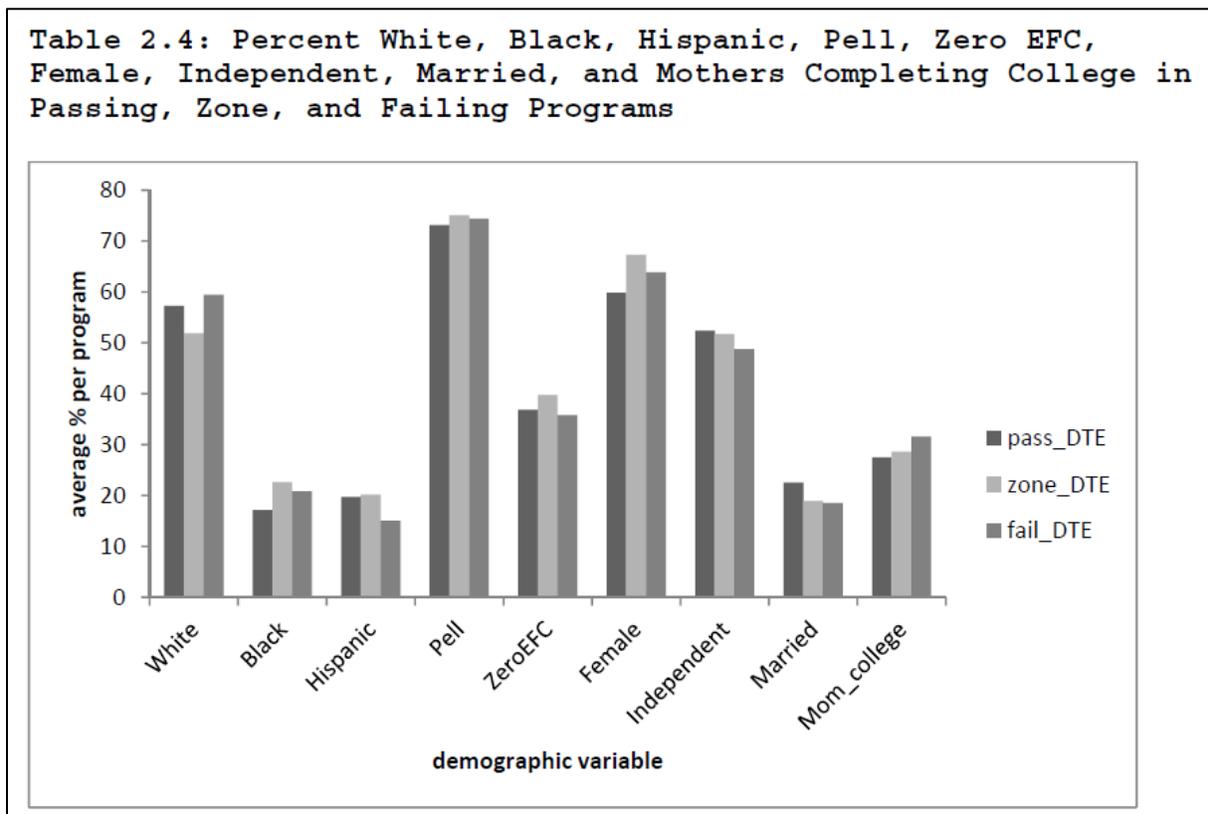


Gainful Employment Program Outcomes and Student Demographics

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The Department of Education was legally required to consider the effect of student demographics on gainful employment results as part of showing a reasoned decision-making process. So it conducted several in-depth regression analyses to see whether demographics explained the results of the debt-to-earnings rates. These analyses found the following:

- **The demographic characteristics of students are not primary determinants of program outcomes under the gainful employment rule.** The Department found “similar passing rates across all quartiles of low-income variables, and similar demographic profiles in passing, zone, and failing programs for almost all of the variables examined. (p.818-819 of public inspection text, brackets added)¹
 - As shown in table 2.4 from the final gainful employment rule, “passing, zone, and failing programs have very similar proportions of low-income, non-traditional, female, white, Black, and Hispanic students.” (p. 800)
 - The programs 68 with the lowest percentage of white students (bottom quartile) had the same failure rate as the programs with the highest percentages of white students (top quartile). The middle two quartiles have a two percentage point difference in the passage rate (71 percent versus 73 percent). (p. 801)



- **Demographic factors are unlikely to move a program from passing to failing or zone.** The Department found that “while many of the demographic variables are statistically significant, the magnitude of the coefficients is sufficiently small indicating that these factors have little impact on

¹ An easier to read version of the final gainful employment regulation can be found here: <https://s3.amazonaws.com/public-inspection.federalregister.gov/2014-25594.pdf>.

annual earnings rates and *that it would be unlikely for a program to move from passing to failing solely by virtue of enrolling more students with these characteristics.*” (p. 812; emphasis added)

- A 1 percentage point increase in the percentage of students who are African American raises the debt-to-earning rate by only 0.019 percentage points. (p. 810)
- A 1 percentage point increase in the share of students with a zero expected family contribution (EFC) is associated with a 0.015 percentage point decrease in the annual earnings rate. (p. 810) This is because lower-income individuals tend to attend lower-price colleges.
- “... percent Pell and percent minority explained approximately *one percent* (R-squared) of the variance in annual earnings rate results. This suggests that **a program’s annual earnings rate is influenced by much more than the socioeconomic and minority status of its students.**” (p. 787; emphasis added)

What Explains Poor Program Performance Under Gainful Employment?

“The causes of excessive debt, high default rates, and low earnings of students at GE programs include **aggressive or deceptive marketing practices, a lack of transparency regarding program outcomes, excessive costs, low completion rates, deficient quality, and a failure to satisfy requirements** such as licensing, work experience, and programmatic accreditation requirements needed for students to obtain higher paying jobs in a field.” (p. 731-732; emphasis added)

The interaction between demographics and the rule was also an issue challenged in GE litigation. The judge found that the U.S. Department of Education’s analyses of program outcomes under the gainful employment rule clearly demonstrate *that program outcomes are based primarily on their cost and quality – not on the types of students who enroll.* As summarized by U.S. District Judge John Bates in rejecting the trade association’s argument, the Department “made extensive efforts to get to the bottom of this criticism, and this Court cannot fairly say that the agency acted arbitrarily in the face of it.”²

Program Type Matters for Some Gainful Employment Results

Research from Mark Schneider at the American Institutes for Research and Tony Carnevale at the Georgetown Center on Education and the Workforce argues that what people study has the biggest impact on what they earn.³ The gainful employment data are consistent with this finding. In many cases, the failing programs are in majors designed to lead at best to minimum wage jobs, whereas passing ones are tailored to more lucrative fields, even if they are the same length.

Consider the associate degree in medical assisting and the certificate in licensed practical nursing from Centura College in Virginia Beach. Both are 15 months long and had the same number of graduates. But medical assisting is an unlicensed occupation while practical nursing is licensed. The debt levels are both somewhat high, but the earnings are two and a half times higher for the graduates of the nursing program.

Centura Program	Annual Earnings	Annual Loan Payment	Debt-to-Earnings Rate
Medical Assisting	\$11,739	\$2,606	22.2%
Practical Nursing	\$29,451	\$2,270	7.7%

Source: Analysis of 2012 gainful employment data from the U.S. Department of Education

² Association of Private Sector Colleges & Universities v. Arne Duncan, Secretary of the Department of Education, et al, June 23, 2015, page 19. https://ecf.dcd.uscourts.gov/cgi-bin/show_public_doc?2014cv1870-31

³ Mark Schneider, “Higher Education Pays: But a Lot More for Some Graduates Than for Others,” American Institutes for Research, September 3, 2013, <http://www.air.org/resource/higher-education-pays-lot-more-some-graduates-others> and Anthony Carnevale et. al. “The Economic Value of College Majors,” Georgetown Center on Education and the Workforce, 2015, <https://cew.georgetown.edu/cew-reports/valueofcollegemajors/>.