

EDUCATION

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EFP Takeaways

Did Gainful Employment Regulations Result in College and Program Closures?

Background

The U.S. federal government has long expected vocationally focused programs in higher education to lead to gainful employment in a profession. In the mid-2010s, the U.S. Department of Education created a series of gainful employment regulations that sought to tie a program's federal financial aid eligibility to graduates' debt-to-earnings ratios. Robert Kelchen and Zhuoyao Liu examine the impact of these regulations on the likelihood of college and program closures. Their work is published in vol. 17 issue 3 of *EFP*.

The Study

This paper examines whether the Obama administration's gainful employment regulations led colleges to close failing programs or to shut down entirely. Even though the regulations were abandoned before programs could lose federal financial aid, the information released by the Department of Education under gainful employment provided new information for students and college leaders. As the Biden administration considers reinstating the regulations, it is important to understand their implications. This study focuses on data from for-profit colleges included in the U.S. Department of Education's January 2017 gainful employment data release. The final sample includes 4,736 programs at 1,427 colleges.

Findings

The authors found that programs that passed the debt-to-earnings thresholds under gainful employment were significantly less likely to close than those that did not pass. However, this effect faded out over time. This suggests that what turned out to be a lower-stakes accountability policy could still help weed out lower-quality programs in the short term.

The authors suggest that even without gainful employment regulations in effect, policymakers and researchers can use debt and earnings data in the College Scorecard to identify programs for additional scrutiny.

For more details:

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- Summary of:
Kelchen, R. & Liu, Zhuoyao (2022) Did Gainful Employment Regulations Result in College and Program Closures? *Education Finance and Policy*, 17 (3): 454-478.