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To profit or not to profit: the private higher education sector in Brazil

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Abstract Brazil has by far the largest higher education system in Latin America, with a sizable share of students enrolled in private-sector institutions. Its recently established and fast-growing for-profit sector is one of the largest worldwide. The for-profit sector already surpasses the public sector in student enrollment, and its role is growing. Public policy has supported for-profit growth, ostensibly for tax revenue reasons, but the federal government has recently launched social initiatives that include tax exemption policies for the for-profit sector in exchange for need-based scholarships. Through exploratory data analysis, this study explores the role, function, and form of the for-profit sector compared with its nonprofit and public counterparts. The findings reveal that the for-profit sector shares some important characteristics with the nonprofit sector but contrasts sharply with the public sector. The study concludes that countries such as Brazil are moving toward public funding for private higher education to meet enrollment targets. These findings may be able to address issues in other countries by considering similar public policies toward private higher education.

Keywords Higher education · Brazil · For-profit · Regulation · Public policy · Sectors · Privatization

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Introduction

As of 2014, with 8,072,146¹ students enrolled in higher education, Brazil has the largest higher education system in Latin America, followed by Mexico (3,419,391 students) with less than half of this number and Argentina with approximately one-third of this number (2,869,450 students) (UIS 2014). However, when considering the gross enrollment ratio (GER),² Brazil lags behind other Latin American nations. Brazil ranks 7th with respect to GER among Latin American countries, although it has made major strides in improving this measure over the last 10 years, with a 25% increase in GER between 2004 and 2014 (UIS 2014). Brazil faces particular challenges related to how to “catch up” with other major Latin American countries. In an effort to increase access to higher education, Brazil has expanded its private sector enormously (Carnoy et al. 2013; Salto 2014). Today, Brazil trails behind only Chile in the private share of enrollment, 73 and 84% (UIS 2014), respectively, and for approximately the last 2 decades, Brazil has relied much more on the private for-profit sector than any other Latin American country. In short, the private sector has played and may continue to play a critical role in the expansion of higher education in Brazil (McCowan 2004).

Similar to most countries worldwide, private higher education expansion has followed a traditional path in Brazil. The private sector establishes institutions as nonprofit organizations, which has its advantages (e.g., tax exemption) and limitations (e.g., restrictions on how to use revenue) (Kinser and Levy 2006; Levy 2011). Unlike most countries worldwide, in the mid-1990s, Brazil allowed private higher education institutions to legally establish themselves as for-profit, tax-paying organizations (Castro 2015; Nunes 2012; Sampaio 2011). This article analyzes the public policy toward the private sector, which was based on massive private expansion that led nonprofits to behave largely as for-profits.³

For-profit higher education is an increasingly visible feature in many countries around the world (Kinser and Levy 2006). In most countries that legally allow the establishment of for-profit institutions, this is both a recent and controversial development.⁴ Brazil is one of the few countries in Latin America and worldwide that has moved from prohibiting to legalizing profit-making at the higher education level.

The growth of the private sector in Brazil and specifically the for-profit sector needs to be put into perspective. One of the characteristics of a mass private sector is to fulfill the role of accommodating the bulk of popular demand for higher education (Geiger 1986; Levy 1986a). Brazil fits that characterization, where a mostly demand-absorbing private sector complements a relatively smaller, more selective public sector (Levy 1986a).⁵ However, we hardly know

¹ The UNESCO Institute for Statistics (UIS) enrollment data for Brazil vary slightly from national sources (INEP). UIS data are only used in this section for purposes of comparison; otherwise, this article utilizes national data.

² GER refers to the total enrollment in higher education (regardless of age) expressed as a percentage of the total population of the five-year age group following secondary school.

³ The behavior of legal nonprofit institutions before the legislation allowing for-profits was often related to stretching the intent of the law. Depending on national public policy, many countries worldwide allow gains for owners and investors even in legal nonprofit institutions (Kinser and Levy 2006).

⁴ This article centers its analysis on the size and scope of the for-profit sector in Brazilian higher education. The comparison of private nonprofit and public sectors sheds light on the characteristics and roles of the for-profit sector. This publication restricts its approach to the for-profit sector as legally defined in Brazil. It does not include discussions on the production of profit in nonprofit or public higher education institutions. The latter is a relevant development that certain studies address as other types of privatization or marketization of the public sector.

⁵ McCowan (2007) offers a discussion on the issue of equity in Brazilian higher education and how it relates to public versus private-sector dominance.

about the size and scope of the private for-profit sector or how much it may contribute to the expansion of higher education.

To date, in Latin America, only a few countries including Brazil, Chile (only non-university level), and Peru clearly allow for-profit higher education institutions (Kinser and Levy 2006; PROPHE 2015). Of these countries, only Brazil and Chile publish disaggregated data on the sector.

This research aims to contribute to studies on higher education in three different ways. First, this research is one of the few studies internationally to focus on the for-profit sector while making ample nonprofit and public sector comparisons. Focusing on the establishment of for-profit institutions in Latin America, one of the main regional and global players is a step forward in the study of overall private higher education.

Second, this study addresses how public policy in a developing country with low higher education enrollment rates may play a role in incentivizing the expansion of the private sector to enroll more of the population in higher education without having to invest directly in the public sector.

Finally, this research allows for de-centering the study of the for-profit sector away from the research-dominated USA. Most research on for-profit higher education comes from this North American country, and it probably relates to the longstanding history of this sector in private higher education and advances in research on higher education as a field of study. However, when comparing the relative size of the for-profit sector, Brazil surpasses the USA. For-profits in the USA enroll fewer than 5% of students in higher education and represent approximately 20% of the degree-granting institutions (Kinser 2006). What is striking is that Brazil in a matter of 1 decade has already enrolled 40% of its students in the for-profit sector (INEP 2014).

The for-profit sector is playing a growing role in higher education worldwide. However, we still know little about the size and scope of this sector, especially in developing countries. While this study makes important contributions to already substantial research on private higher education, it also makes a major contribution to the much less studied area of for-profit higher education. It does so by systematically comparing the for-profit sector with the nonprofit and public sectors. Whereas most approaches to the study of private higher education in Latin America and beyond have compared private (usually nonprofit) and public sectors (Levy 1986a; Musial 2012; Praphamontripong 2011; Rabossi 2011; Zumeta 2011), this study analyzes the for-profit sector compared to its nonprofit and public counterparts.

While this article intends to show major intersectoral comparisons (public vs. private) with in-depth intrasectoral analysis (nonprofit vs. for-profit) based on findings from other countries and regions of the world, it does not advocate for or against public policy toward any specific sector. Additionally, as stated above, for-profits tend to raise concerns about quality. However, experts caution against interpretations of higher education entrance and exit exams due to methodological issues and limitations (Schwartzman 2005; Verhine et al. 2006).⁶

In addition to having academic relevance, this study will likely attract the attention of policy-makers. Some countries in Latin America as well as other parts of the world allow or are assessing the possibility of allowing for-profit higher education institutions. Still, there is no clarity about the size, scope, and role of this sector in countries where it already exists, and more research needs to be performed.

⁶ A couple of recent commentary pieces have found little difference between the performance of students in federal institutions compared to their private counterparts (Castro et al., 2012; Mereb and Oliveira, 2017). If this evidence holds up, it would debunk a widespread opinion that the private sector and for-profits tend to provide lower quality education than the public sector (federal universities participating in performance tests).

This article has five main sections. The “**Introduction**” discusses the main studies on private nonprofit and for-profit sectors overall and in higher education and discusses the relevant theoretical framework. The “**Methodology**” section presents the methodological approach. The “**An elephant in the room: profit-making and public policy for the private sector**” section addresses the role of public policy toward the private sector in Brazil, focusing on legislation that allows for-profit institutions. The “**A characterization of for-profit higher education in Brazil: an intersectoral and intrasectoral comparison**” section analyzes the size and scope of the private for-profit sector compared to the other sectors (private nonprofit and public). Finally, the “**Discussion and conclusions**” section presents a discussion of the findings of this study, assessing the overall size and scope of the for-profit sector in Brazilian higher education. It also addresses the main policy implications derived from these findings.

Methodology

This study uses data from the Brazilian Census of Higher Education, a web-based, public, and free-access secondary database reported by the National Institute of Educational Studies and Research (INEP) a bureau within the Ministry of Education and Culture (MEC) of Brazil. The database contains comprehensive data on higher education institutions, programs, students, and faculty since 1995.

The analysis of overall trends in private higher education in Latin America and Brazil is based on data compiled by the Program for Research on Private Higher Education (PROPHE) from different sources such as the UNESCO Institute for Statistics (UIS), the UNESCO Institute for Higher Education in Latin America and the Caribbean (IESALC), the Development University Center (CINDA, Chile), and the INEP (Brazil).

This research focuses on the size and scope of the for-profit sector and how it compares to the private nonprofit and public sectors through the study of four different units of analysis: (1) institutions, (2) programs, (3) students, and (4) faculty. Variables were selected based on previous literature that compared the public and the private sectors and some studies that were more focused on the for-profit sector.

This study utilizes exploratory data analysis for hypotheses verification (Tukey 1977). Exploratory data analysis consists of a set of tools based on descriptive and graphical statistics by combining tabulated description (e.g., cross-tables), graphical description (e.g., graphs and charts), and statistical commentary (e.g., discussion of the results) to analyze the size and scope of the for-profit sector and compare it with the private nonprofit and public sectors in Brazilian higher education. Descriptive statistics are especially suitable for this exploratory study since its aim is to describe data that have not yet been analyzed (Newton and Rudestam 1999).

A profitable path? Research on private (for-profit) higher education

The study of for-profit higher education is a controversial issue in educational research mainly because it addresses explicit ways in which higher education enters the market territory to the extent where for-profit higher education institutions are managed like any other private business firm. Geiger (1986) notes that usually public distrust surrounding these types of institutions relates to a perceived incompatibility between profit-making and educational ends. On the one hand, Kinser and Levy (2006) indicate that for-profit higher education institutions worldwide have legitimacy

problems due to three reasons: (1) their questionable academic levels, (2) their pursuit of profit, and (3) the fact that they are introduced in the system as a new, unknown type of sector. Sources of legitimacy issues are raised not only by the public sector but also by the private nonprofit sector. One of the most important points raised by the public and the nonprofit sectors is that for-profits do far from fulfilling any “public good”, and they act as a source of prohibition to the establishment of these types of institutions in most countries worldwide. In any case, for-profits are blamed for being guided by the wrong incentives, namely profit-making. On the other hand, Kinser and Levy (2006) also mention that for-profits justify their existence on the premise that they broaden access and train students in market-based requirements and that their pursuit of revenue does not necessarily affect their quality.

Controversies surrounding the for-profit sector in education are neither unique nor original. The broad literature on the nonprofit sector also addresses the distinction between nonprofit and for-profit institutions in various sectors. Studies on nonprofits inform research on for-profits in a necessary way insofar as the contrast defines their nature. Ott (2001) notes that the nonprofit sector differentiates itself from the private, business sector based on three main characteristics: (1) in the nonprofit sector, making money is necessary but not a priority, (2) many organizations in the nonprofit sector do not pay taxes, and (3) donors can usually deduct taxes from their income taxes. Ott (2001) understands that these are fundamental differences when analyzing the role of the private nonprofit sector compared to that of the for-profit sector.

Studies on nonprofit higher education include analyses of the role of the sector within the overall system, useful comparisons between public and private sectors worldwide (Kinser et al. 2010; Levy 1986b; Levy 2011), in specific regions (Levy 1986a; Levy 2007; Levy 2012), and in national cases (Cosentino de Cohen, 2003; Geiger 1986; Musial 2012; Praphamontripong 2011; Zumeta 2011). To a greater or lesser extent, all these studies analyze the size and scope of the private sector compared to the public sector based on various units of analysis: institutions, programs, students, graduates, and faculty. Relevant research has been conducted on Brazilian higher education as well (Castro 2015; Durham 2004; Durham and Sampaio 2000; Levy 1986a, 1986b; McCowan 2007; McCowan 2004; Nunes 2012; Sampaio 2014; Sampaio 2011; Sampaio 2000; Schwartzman and Schwartzman 2002). Based on data reported in the 2000 Brazilian Census of Higher Education, Schwartzman and Schwartzman (2002) present a broad picture of the status of the private sector. Their analysis sheds light on certain features of the private sector that may apply to the for-profit sector, such as private institutions being more concentrated at the non-university level, more students being enrolled in night classes and in specific fields of study, and more professors being hired on a part-time basis than in public institutions. Similar considerations of the features of Brazilian private higher education have been analyzed by Levy (1986a) in his classic study, showing consolidated trends in certain features of the Brazilian private sector.

Although some studies have included certain elements of Brazilian for-profits, scholarship in profit-making higher education tends to be more developed in the USA. According to Kinser (2006), studies can be traced back to the 1960s and 1970s. In any case, scholars in the field of higher education indicate that the growth of for-profit higher education worldwide is a recent phenomenon (King 2004; Kinser and Levy 2006). Therefore, few studies have addressed issues related to this sector in-depth.

Other studies based in the USA show the key features that make the for-profit sector an entire subsector worthy of analysis. A small but increasing number of studies highlights the specific features of the for-profit sector, comparing it to the private nonprofit sector. Such studies usually involve the comparison of institutions, students, faculty, and sources of revenue

(Breneman et al. 2006; Kinser 2006; Tierney and Hentschke 2007). Some other scholars approach the study of the for-profit sector from a comprehensive perspective. Kinser (2006) and Kinser and Levy (2006) capture the complexity of the for-profit sector, including large university systems and small, family-owned proprietary schools in their analyses. Other research focuses on the role of large publicly traded companies that own institutions, a trend that seems to be marking the future of the sector (Kirp 2003; Ruch 2001).

The other relevant stream of research refers to studies on for-profit higher education in Brazil. These studies develop a research agenda related to the privatization and marketization of higher education. Nunes (2012) offers a comprehensive depiction of overall higher education in Brazil, noticing that research tends to overlook the for-profit sector despite its sharp growth in recent decades. Nunes (2012) acknowledges the legal process that allowed for the establishment of for-profit higher education institutions in Brazil in 1997 and compares the growth of this sector in a decade (2000–2009), moving from 12% of all higher education enrollments in 2000 to 28.6% in 2009.

Finally, as in the USA, Brazilian researchers are increasingly interested in a comparatively new development: the establishment of publicly traded companies in the for-profit higher education sector through the creation of national (Brazilian) companies (Chaves 2010; Castro 2015) or investments of international/multinational companies (de Oliveira 2009).

Even though the number of studies on the private sector has grown over time, there is still a need to explore in-depth the shape, size, and role of the for-profit sector overall and certainly in Brazil. One of the reasons for this gap in the literature is the recent availability of comprehensive data on this sector in Brazil. The INEP reported data on this sector separately for the first time in 2010, more than 10 years after the Brazilian Congress passed legislation allowing these types of institutions.

An elephant in the room: profit-making and public policy for the private sector

Researchers agree on characterizing Brazilian higher education as a latecomer in Latin America (Durham 2004; Levy 1986a; Sampaio 2014). The first higher education institutions were established in 1808, and the first universities were established in the 1930s (Durham 2004), four centuries after the creation of the first universities in the Spanish Americas. By the 1960s, the private sector was already playing a prominent role in the growth of Brazilian higher education. From the 1980s onward, a new type of institution entered the scene: non-religious, non-university institutions that were organized as businesses (covertly) in search of profits (Durham 2004).

Brazilian higher education is one of the systems with the highest share of private sector enrollment not only in Latin America but also worldwide. Enrolling 73% of the total higher education population in private institutions by 2014, Brazil is only second to Chile (84%) (UIS 2014). The Brazilian higher education system fits within the mass private sector (Geiger 1986) and demand-absorbing private subsector (Levy 1986a) categories. Geiger (1986) characterizes mass private sectors as those with a high capacity to expand during rapid enrollment growth. The sector is usually split between vocational schools and culturally oriented colleges. The latter are mostly represented by Catholic and private elite universities, while the former target students who pay the full cost in exchange for vocational training.

To a certain extent, the promotion of institutions that previously would not be considered part of higher education fuels expansion of the private sector (Levy 1986a; Levy 2011). These

znew entrants begin on a small scale, for example, with single academic units. In this sense, Levy (1986a) and Sampaio (2000) highlight that the growth of private institutional centers to a great extent took place in isolated institutions (*faculdades isoladas*), a type of Brazilian institution where teaching activities are prevalent and research is almost nonexistent.

A remarkable feature of mass private sectors relates to their capacity to incorporate a critical bulk of students into higher education at a private expense (Geiger 1986). Levy (1986a) points out that the public-private finance difference is an essential factor to take into account. Public universities in Brazil are tuition-free, so the growth of the private sector would mean relief for government budgets. In contrast to most of Latin America, Brazil has long maintained restricted, selective access to public higher education.⁷

The strong Brazilian private sector, as it relates to enrollment and institution shares, is not the only remarkable feature of Brazil's higher education system. In recent decades, the federal government has changed the rules of the game for the private sector and mostly, the entire system by allowing for-profit institutions, addressing the "elephant in the room" situation. In most cases, the for-profit sector arises in the shadow of legislation that does not explicitly prohibit that type of institution. A large part of this sector involves demand-absorbing institutions driven by market demands rather than governmental strategies (Levy 2006).

Levy (2006) highlights that Brazil moved toward allowing for-profit higher education institutions upon recognizing that many *de jure* nonprofit institutions were *de facto* for-profit, but the state was not collecting taxes. Some researchers claim that the regulatory change during the Fernando Henrique Cardoso administration (1995–2002) had to do with the overall "market-friendly" policies promoted by his government in different sectors of the economy (de Oliveira 2009; Chaves 2010). Others (Nunes 2012; Sampaio 2000) note that the president merely legalized a situation that was already in place and that it was necessary to regulate it for quality control purposes. In other words, the president decided to address an obvious truth that different stakeholders overlooked for a long time and thus, addressed the "elephant in the room". Both views seem complementary, and the final decision was probably a result of a combination of both.

In April 1997, Brazil's President Cardoso signed the presidential decree #2207, which for the first time, explicitly mentioned and allowed higher education institution sponsors (*mantenedoras*) to be established as for-profit companies (Sampaio 2000). In line with the promotion of the private sector, in 1999, the federal government created a loan-based program aimed at funding students attending on-site undergraduate courses at private universities (Oliveira and Carnielli 2010; Terribili Filho and Freitas Barrei 2012). Just 3 years after the president signed the decree and 1 year after the Congress modified the education law (Law of Basic Tenets and Guidelines of Brazilian Education-LDB), for-profit institutions had already enrolled 18% of students in the private sector and 12% of students in the overall system (Nunes 2012). This situation can be understood in the context of nonprofits changing their legal status to that of for-profits. Regardless of these changes, as shown in Fig. 1, the nonprofit sector also continually grew in the 2000–2010 period with some stagnation in the 2010–2014 period. What is striking is that in the same period (2000–2014), the for-profit sector increased in size by 877%—displacing the nonprofit and public sectors to the second and third positions in enrollments, respectively, while the public and the nonprofit sectors increased their size by

⁷ Selective access is more predominant in fields such as medicine than education or social work. Additionally, affirmative action policies have reduced, although in a limited way, the selectivity levels of federal universities (Castro 2015; Schwartzman 2014).

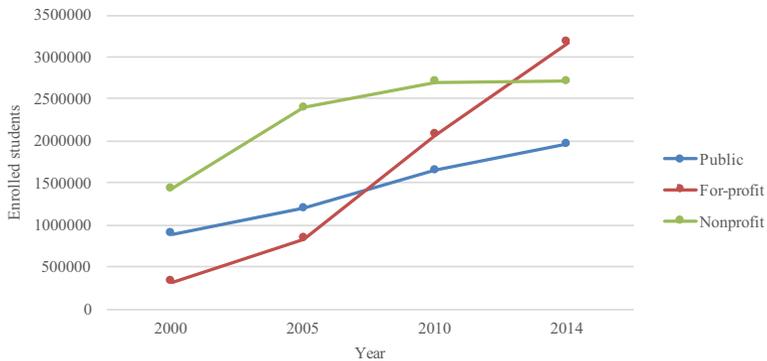


Fig. 1 Enrollment by sector, 2000, 2005, 2010, 2014. Source: own elaboration based on Nunes (2012); INEP (2010, 2014). Note: Data on 2000 and 2005 from Nunes 2010. Data on 2010 from INEP compiled by PROPHE 2012. Data on 2014 from INEP

only 121 and 89%, respectively. By 2014, the for-profit sector enrolled 54% of students in the private sector and 40% of students in the overall higher education system (INEP 2014).

A new financial mechanism fueled the rapid expansion of the private sector. In 1999, the federal government created a loan-based program (Student Financing Fund-FIES) aimed at funding students attending on-site undergraduate courses at private universities. This program replaced a previous scheme that proved to be unsuccessful at incorporating more students in higher education. The program provides loans to needy students that are paid directly to the higher education institution. This loan system has already been extended to graduate programs, and a possible expansion toward funding students attending online programs is anticipated (Oliveira and Camielli 2010; Terribili Filho and Freitas Barrei 2012). In 2012, more than half a million students (623,000) had received FIES loans to attend approximately 1000 private institutions (Schwartzman 2014).

Public policy accompanied the remarkable growth experienced by the for-profit sector. Changes in public policy toward private higher education continued after allowing for-profit institutions. After the election of the more left-leaning opposition party in 2003, scholars were not confident that the promotion of the private sector would continue (McCowan 2007). However, newly elected president Luiz Inácio Lula da Silva (2003–2010) established a new program to promote access to higher education that explicitly targeted the private sector, the University for All Program (PROUNI).⁸

In 2005, the Brazilian Congress enacted the 11,096 Act establishing PROUNI. This policy development consolidated a trend that was already in place for nonprofit institutions—targeting private sector development through tax exemptions. The Da Silva administration justified the necessity of this law and program based on the persistent lack of equal access to higher education. Critics of this program counter that the movement toward fiscal exemption was in response to financial problems that for-profit institutions were facing (Carvalho 2006; Mancebo 2004; Mendes Catani and Gilioli 2005).

Brazil had already exempted nonprofits from paying most but not all taxes. In any case, as indicated in Table 1, this program clearly benefits for-profit institutions because they are able

⁸ Although it is not the focus of this article, the federal government in Brazil has also financed public sector expansion through different programs; the largest one is the Restructuring and Expansion of Federal Universities (REUNI) program (Castro 2015). Recently, the federal government has expanded public federal universities through affirmative action policies aimed at helping racial minorities. As of 2012, 10% of the newly admitted students in federal universities had been admitted through affirmative action programs (Schwartzman 2014).

Table 1 Federal tax rates by higher education institution category

Taxes	For-profits		Nonprofits			
			Religious/communitarian		Philanthropic	
	Pre-PROUNI (%)	PROUNI	Pre-PROUNI	PROUNI	Pre-PROUNI	PROUNI
IRPJ	25	Exempt	Exempt	Exempt	Exempt	Exempt
CSLL	9	Exempt	Exempt	Exempt	Exempt	Exempt
COFINS	7.6	Exempt	3%	Exempt	Exempt	Exempt
PIS	1.65	Exempt	1%	Exempt	1%	Exempt
INSS (employer)	20	20%	20%	20%	Exempt	Exempt

Source: Translated to English from Carvalho and Lopreato (2005)

Notes: *IRPJ* income tax, *CSLL* social contribution on net income, *COFINS* social contribution for social security financing, *PIS* social integration program, *INSS* employer pension quota

to obtain significant tax cuts in exchange for providing scholarships to needy students (Carvalho 2006).

Between the FIES and PROUNI programs, the federal government of Brazil pours approximately two billion reais⁹ into private universities. Student loans and tax exemption policies toward the private sector have become cornerstone policies used to meet enrollment targets, leaving a largely untouched and competitive public sector (Castro 2015).¹⁰

A characterization of for-profit higher education in Brazil: an intersectoral and intrasectoral comparison

As explored in the previous section, the Brazilian for-profit sector has seen a sharp increase in the share of total enrollments in the system as well as within the private sector. By 2014, the for-profit consolidates as the largest sector in Brazilian higher education. Table 2 shows a breakdown of data by relevant categories and highlights the high prevalence of for-profit institutions at the non-university level¹¹ as well as the large representation of students in that sector enrolled in non-university level institutions and distance programs and the low percentage of faculty in full-time positions.

In parallel with the complex and highly diversified profile of the for-profit sector in the USA, the Brazilian sector shares a similar scenario. It is possible to find small, proprietary schools owned and managed by an individual, family, or corporation at the same time as institutions run by large corporations. As Deming, Goldin, and Katz (2012) and Kinser (2006) note in the case of the USA, some of the key actors in the for-profit sector are major, profitable,

⁹ Based on official exchange rates at the time of this writing, this figure represents about US\$593 million.

¹⁰ This article highlights policy developments affecting private higher education. During Lula da Silva's presidency, policies were also enacted to increase enrollment in the public sector as well.

¹¹ The difference between university and non-university institutions is evidenced by the level of autonomy and by the offering of graduate programs. University-level institutions benefit from having higher degrees of autonomy than do non-university institutions. University institutions must also provide graduate training. Unlike many other countries, in Brazil, degrees granted by non-university and university institutions are the same. For instance, both university and non-university institutions grant engineering degrees (Nunes 2012; Schwartzman 2014).

Table 2 Brazil for-profit data, 2014

	Total Brazil	For-profit	For-profit/total (%)
Institutions			
Total	2368	998	42.1
University-level	342	63	18.4
Non-university level	2026	935	46.2
Enrollment			
Total	7,839,765	3,171,300	40.5
University-level	5,469,357	1,786,991	32.7
Non-university level	2,370,408	1,384,309	58.4
Male	3,338,634	1,275,973	38.2
Female	4,501,131	1,895,327	42.1
On-site	6,497,889	2,252,929	34.7
Distance learning	1,341,876	918,371	68.4
Faculty			
Total	383,386	95,021	24.8
Full-time	188,863	19,473	10.3
Part-time	194,523	75,548	38.8

Source: own elaboration based on INEP (2014)

Note: For more data on Brazilian higher education (public and private), visit the PROPHE website: <http://www.albany.edu/~prophe>

publicly traded corporations. Brazil does not escape this reality. There are four large autochthonous, domestic publicly traded companies in Brazil: (1) Anhanguera Educacional S.A., headquartered in São Paulo, (2) Estácio Participações, in Rio de Janeiro, (3) Kroton Educacional with its central administration in Minas Gerais, and (4) Sistema Educacional Brasileiro (SAB) S.A., also based in São Paulo (Chaves 2010). Transnational companies such as Whitney International, Devry, Laureate, and Apollo International also own higher education institutions in Brazil (de Oliveira 2009). Castro (2015) and Knobel (2016) depict a trend toward mergers between large for-profit companies (e.g., between Kroton and Estácio) and enrollment concentration in a few large educational groups (domestic and international).

As for ownership, in 2014, Brazil had 2368 higher education institutions in total, with a majority of them in the nonprofit (45.3%) and for-profit (42.1%) sectors. Only 12.6% of the total higher education institutions are public. Enrollment figures, however, differ from establishment figures. Most students, as stated earlier, enroll in the for-profit sector (40.5%), followed by nonprofits (34.6%) and the public sector (25%). These data clearly show critical differences between the number of institutions and the number of enrollments, favoring the for-profit and the public sectors in enrollment size. Since these differences are so sharp, the intersectoral analysis focuses on enrollment data.

Regardless of sector differences, most students in Brazilian higher education enroll at the university level (69.8%). Figure 2 shows that students in the for-profit sector are largely overrepresented at the non-university level (58.4%), while the distribution of enrollment at the university level is similar across sectors.

Enrollment data show that social sciences dominate the scene with almost half of the total enrollments (39.6%), followed by education (18.7%), and engineering (14.9%). These data follow a worldwide trend where the social sciences and humanities account for the overwhelming majority of enrollments in higher education, while science, technology, engineering, and mathematics (STEM) fields lag behind.

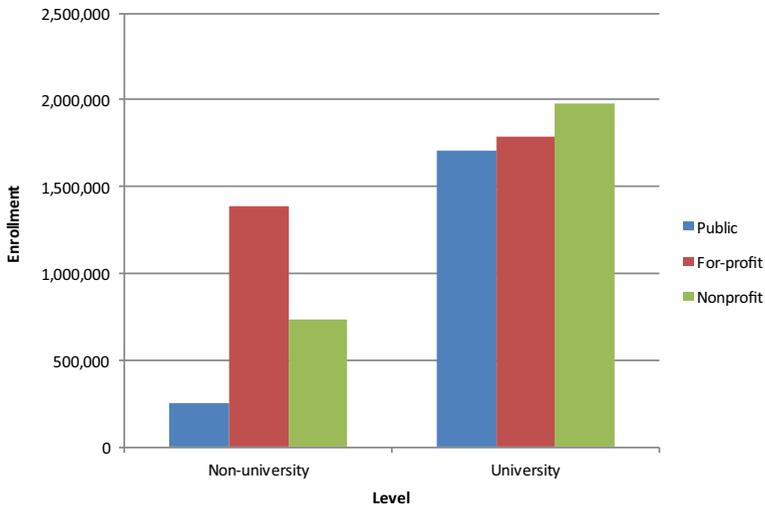


Fig. 2 Enrollment by sublevel and sector, 2014. Source: INEP 2014

Remarkably, the for-profit and the nonprofit sectors behave in similar ways with respect to enrollment trends. As shown in Fig. 3, most students of social sciences are enrolled in either for-profits (47.4%) or nonprofits (38.9%), while the public sector only enrolls 13.7% of these students. The public sector tends to enroll more students than the other two sectors in the following fields of study: agriculture and veterinary medicine, science, mathematics and computer science, and education. Except for education, enrollment distributions confirm a widely held finding on intersectoral differences. Public institutions tend to enroll more students than the private sector in those fields that require more investment, while the private sector tends to enroll a higher percentage of students in relatively non-expensive fields of study (Levy 1986a; Musial 2012; Rabossi 2011).

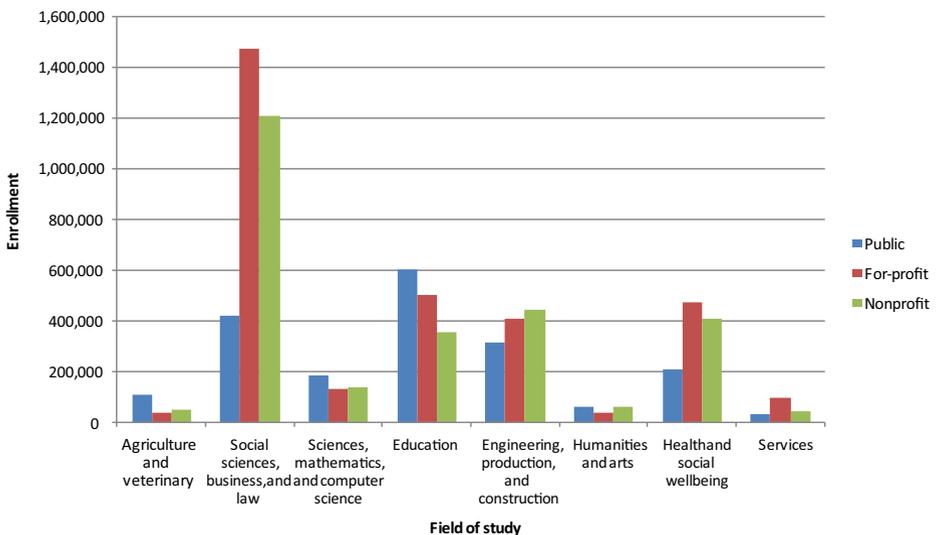


Fig. 3 Enrollment by field of study (2014). Source: INEP 2014

Differences go beyond the fields of study. As mentioned earlier, the private sector tends to attract students toward more vocational and technical education programs than does the public sector. Brazilian higher education institutions offer three different types of degrees: bachelor's (similar to the US bachelor degrees), *licenciaturas*, and technological. Bachelor's degrees usually take 4 years to complete, but they may span between 3 and 6 years depending on the field of study.¹² *Licenciaturas* are similar to bachelor's degrees, but these degrees lead to the acquisition of a primary or secondary education teaching credential. Lastly, technological degrees take between 2 and 3 years to complete and target vocational and technical training. As expected, the private sector tends to enroll most students within technological programs. While only one million students (13%) are enrolled in these types of programs, the private for-profit sector enrolls more than half a million (58%) of those students compared to 29% and 14% enrolled in the private nonprofit and public sectors, respectively. Most Brazilian students choose to pursue bachelors' degrees (68%). Strikingly, most students who choose this non-vocational track enroll in the private nonprofit (39%) and for-profit (39%) sectors. The public sector shows an edge in attracting most of the students who choose to continue a teaching career in primary and secondary education (41%) compared to 34 and 24% of students who are attracted to the private for-profit and nonprofit sectors, respectively. In short, the private sector serves as an entry point to non-vocational programs (bachelor's degrees) for those prospective students who cannot compete for a seat at a public institution. Furthermore, the private for-profit sector shows an eagerness to provide shorter programs and attracts students to these types of vocational programs.¹³

A usually overlooked aspect of higher education and intersectoral comparisons relates to faculty information. By 2014, Brazil registered 393,386 professorship positions¹⁴ in total in the entire higher education system. Most of these posts were in the public (42.5%) and the nonprofit (32.7%) sectors. The remaining 24.8% positions were in for-profit institutions.

Figure 4 shows that the Brazilian higher education system is almost evenly divided between professors who are hired on full-time (49.3%) and part-time (50.7%) bases. However, the public and the private sectors differ substantially in this respect. Public institutions hire 82.9% of their professors on full-time contracts, while on average, only 24.4% of professors have this status in the private sector. A relevant finding refers to the percentages of part-time professors in for-profit and nonprofit institutions. In both sectors, part-timers are prevalent, but the difference is just 6.8%. These data match the profile of the public versus the private sector in Brazil. The public sector usually devotes resources to research and graduate education that require full-time professors. The private sector, however, tends to rely more on professional fields that give more weight to professors' professional experience.

Overall, most professors hold master's degrees (39.9%), followed by doctorates (35.1%), and specializations (23.6%). Only a few have solely undergraduate degrees (2.1%), and virtually, nobody is without a college degree.

As in previous variables, there are differences when comparing sectors. Figure 5 shows that public institutions have the highest percentage of professors with doctorates (55.8%) compared

¹² Medicine, for instance, is offered as a bachelor's degree that requires 6 years to complete.

¹³ Unfortunately, there are no data available on the employability of graduates with this type of education. Many discussions in the USA, for instance, focus on how expensive some vocational programs are and how little they help graduates find jobs that allow them to repay student loans.

¹⁴ The number of professorship positions is not necessarily equal to the number of professors. The number of positions is frequently higher than the number of professors since one professor may hold two or more part-time positions.

High Educ

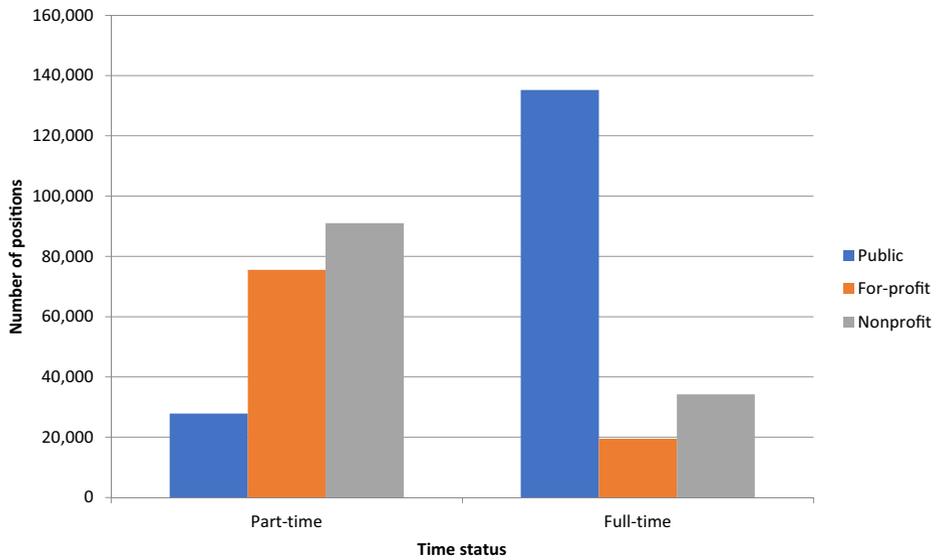


Fig. 4 Faculty positions by time status and sector, 2014, Source: INEP 2014

to nonprofits (22.5%) and for-profits (16.2%). For-profits and nonprofits tend to concentrate most of their percentages in professors holding master’s degrees. The combination of large percentages of part-time faculty without PhD degrees shows that a large majority of institutions in the private (nonprofit and for-profit) sectors do not carry out research. Teaching-

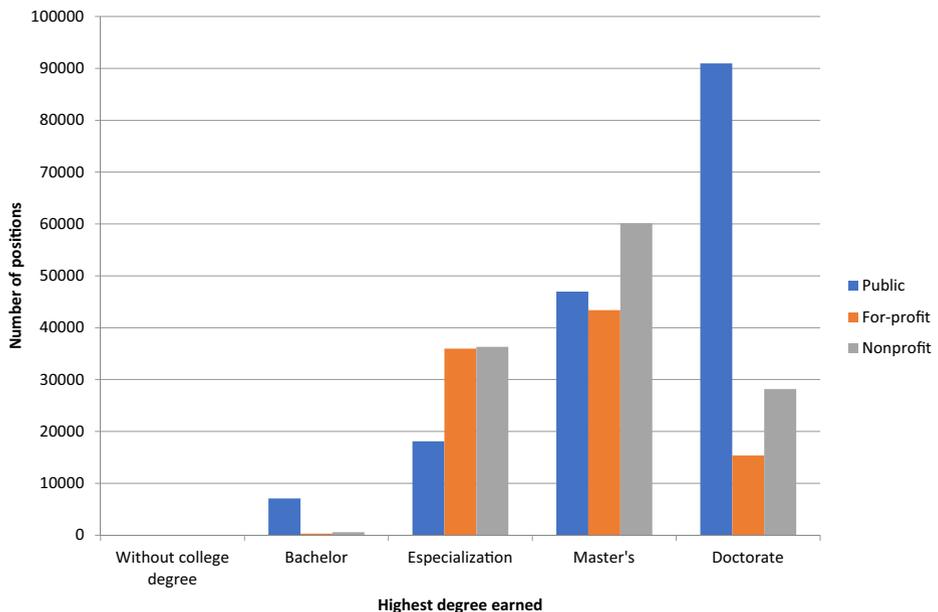


Fig. 5 Faculty by highest degree earned and sector, 2014. Source: INEP 2014

oriented institutions are usually a target of criticism by the public sector, being considered a sign of perceived low quality.

Discussion and conclusions

This article began with two assumptions: (1) intersectoral differences present sharp contrasts between the public and private sectors, (2) while they are different in legal status, the private nonprofit and for-profit sectors tend to be similar. This section gathers an overall assessment regarding these points.

Whether planned or improvised, Brazil gave its private sector a demand-absorbing role, keeping most elite and semi-elite institutions in the public sector (Levy 1986a). A comparison between the USA (with the most longstanding for-profit sector) and Brazil highlights main differences. This North American country includes a higher number of elite and semi-elite institutions in the nonprofit sector than its South American counterpart. As previously shown in our analysis, in Brazil, the private sector (nonprofit and for-profit) mainly behaves as a demand absorber. Thus, this South American country shows a relatively similar composition in both its nonprofit and for-profit sectors, and the boundaries between these sectors are blurry with respect to various features explored in this study. The most striking differences among programs, students, and faculty were found between the public and the private sector, as opposed to between private nonprofits and for-profits. Nevertheless, the study also highlighted some discrepancies between the nonprofit and the for-profit sectors.

Specifically, this study found important intrasectoral differences in programs by level (university and non-university) and fields of study. Student enrollment presented sharper intersectoral differences (public versus private) than intrasectoral differences. The only exception was when studying by level (university and non-university), where public and private nonprofits behaved similarly, differentiating themselves from the for-profits. Finally, faculty-wise, data showed relevant intersectoral differences in all the variables explored (time status and highest degree earned). The fact that most variables confirmed similarities between the nonprofit and for-profit sectors reinforces a basic albeit relevant finding about Brazilian higher education, a fundamental public-private distinction instead of a nonprofit-for-profit distinction. The estimated cost per student data confirm the gap between the public and private sectors; the cost per student in the public sector is three times higher than in the private sector (Schwartzman 2010).

Public policy toward private higher education has played a critical role in the growth of the private sector through tax exemption and student financial aid policies. Economic instability amid an economic and political crisis is already having an impact on the private sector. New enrollments in private higher education institutions fell by approximately 30% in 2015 according to news sources (Folha 2015), and large for-profit companies are merging with others and buying smaller institutions (Knobel 2016).

On the policy side of the analysis, policy-makers had a rationale for allowing for-profit institutions. The private nonprofit sector was already distributing revenues in covert ways. Instead of generating stricter controls, the government decided to address the “elephant in the room” and make for-profit higher education institutions legal. These policy implications are relevant for other countries in the region that have already allowed for-profit higher education (e.g., Peru).

Finally, this study opens up possibilities to continue analyzing the role of different sectors in the provision of higher education in Brazil, the largest higher education system in Latin America and one of the more dynamic and fastest growing systems.

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