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DISSERTATION

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# Three Essays on Education Policy

Empirical Analyses of the  
Challenges and Opportunities  
with For-Profit Colleges, Military  
Enlistment and Immigration

Alessandro Malchiodi

This document was submitted as a dissertation in December 2013 in partial fulfillment of the requirements of the doctoral degree in public policy analysis at the Pardee RAND Graduate School. The faculty committee that supervised and approved the dissertation consisted of Paco Martorell (Chair), Robert Bozick, and Trey Miller.



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## Summary

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Education will be among the decisive factors to determine the prosperity of countries in the era of post-industrial development. However, its provision faces important challenges in the form of reduced budgets, increasingly diverse student bodies in terms of backgrounds and needs, and rapidly evolving and ever specialized labor markets. As a result, alternative demands, pathways and players emerge whose policy implications need to be understood. This dissertation is composed of three essays that examine some key policy challenges confronting nontraditional instances of education: Academic and Early Labor Market Outcomes of For-Profit College Students; The Effect of Military Enlistment on Education; Home-Country Academic Quality, Time Spent in the U.S., and the Math Achievement of Immigrant High School Students.

While the abstracts of each individual essay describe the research questions, data, methods and findings, the remainder of this summary briefly presents the main policy lessons that this dissertation provides.

*Policy lesson 1:* For-profit colleges must be acknowledged for having expanded the supply of higher education to underserved segments of the population (older students, minorities, students with higher risk to drop out). However, when compared to public institutions, 4-year for-profits have on average failed to bring students to graduation, and 2-year for-profits have on average failed to adequately place them on the labor market, exposing them to a higher likelihood of unemployment and lower-paying jobs. Policies of the U.S. government aiming at restricting Title IV (federal student aid

programs) eligibility based on loan repayment (which is linked to the earning capacity of graduates) embed the right incentives to help break some of these vicious links.

*Policy lesson 2:* Policy makers need to rethink the role of public investment in higher education, in light of the evidence suggesting a link between for-profit colleges and higher indebtedness and default rates. For-profits can be a substitute to public higher education but might end up costing more to taxpayers because of high default rates, which shift the entrepreneurial risk from the market to students and public finances. Also in this case, public policies conditioning Title IV eligibility on loan repayment are a step in the right direction, but the evidence presented in this dissertation indicates that a broader reflection on the optimal level of investment in public higher education deserves further research.

*Policy lesson 3:* Education is an important dimension of military service, and one of the mechanisms through which the compensation policy for armed forces can achieve the objective of attracting and retaining an optimal level and composition of manpower. Military enlistment causes enlistees to delay higher education, but to eventually enroll at similar rates to non-enlistees. If enlistment can combine opportunities for both on-the-job training and formal education that leads to obtaining academic credentials, it might become more palatable to individuals who are concerned for the portability of their skills back to the civilian sector, i.e. those who plan on serving for a limited time.

*Policy lesson 4:* Black enlistees take longer than their peers to catch up with enrollment in higher education. Furthermore, high-aptitude enlistees suffer from a much stronger negative impact of enlistment on their prospects of obtaining a degree from a 4-

year institution. Policy makers might want to consider targeting black and high-aptitude enlistees with specific measures in order to ensure equal opportunity for higher education across race/ethnicity. Also, it might be inefficient for the military to forego the ability of high-aptitude enlistees to earn 4-year degrees, which could foster the skill set of the armed forces as a whole.

*Policy lesson 5:* Among immigrant students, home-country academic quality is a significant predictor of high-school achievement in the U.S. This implies that there is no one-size-fits-all approach that will maximize the learning of the whole student body, be they native or born abroad. It also suggests that there are important cross-fertilization effects that would get lost in any strategy for the composition of classes involving some degree of sorting by background. Losing such gains would reduce societal welfare not only in the present but also in the future, when new or future citizens struggle to find their way into the society and labor market.

*Policy lesson 6:* The legacy of home-country academic quality decreases over time, and it does so faster the further apart home-country academic quality is from the U.S. average: even the students coming from the most-disadvantaged country-specific academic backgrounds can eventually catch up with their native peers, but allowing enough time is of the essence in decreasing the mediating role that educational input received before migration continues to exert on current learning. The provision of education needs to be “patient” and at the same time challenging enough with students who need to catch up, while ensuring that the stock of learning that immigrants from better-performing school systems infuse into the receiving country does not get dispersed.