How the Gainful Employment Rule Could Affect Programs and Students

A Case Study of Two For-Profit Career Colleges

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The gainful employment (GE) rule aims to hold career-focused training programs accountable for student outcomes.[1] The rule includes an earnings threshold that requires programs to result in graduates' earnings being at least as high as earnings of a typical high school graduate in their state. The GE rule's focus on postcompletion earnings does not account for what students were earning before enrolling or account for aspects of job quality separate from earnings. In this brief, we collected data from two career colleges with programs at risk of failing GE to examine students' preenrollment earnings and surveyed students on their financial circumstances and the value they expect to receive from their education. We find the following:

- The colleges we studied operate several programs whose postcompletion earnings fall below the high school threshold, but many of these programs appear to produce postcompletion earnings that in some cases are as much as double students' preenrollment earnings.
- Occupational segregation, labor market discrimination, and variation in local labor markets and cost of living can make programs less likely to pass GE if they enroll more women of color (who are disproportionally affected by occupational segregation and labor market discrimination) or are in rural areas (where labor markets and cost of living can vary significantly from urban areas in the same state).
- Sixty-four percent of students surveyed (including those not working) were earning less than $30,000 annually before enrolling in their program. The high school threshold for their state is $32,686 in 2025 dollars.
- Higher pay and personal fulfillment were the top two reasons surveyed students decided to enroll in their educational program.

- Eighty-five percent of students surveyed plan to enroll in additional education, meaning they do not see their short-term credential as terminal.

The Gainful Employment Rule

The GE rule was developed to hold career-focused training programs accountable for student outcomes. The regulation aims to ensure that students who pursue nondegree postsecondary credentials (or any credential at a for profit institution) see meaningful labor market benefits from their investment of time and money. Labor market outcomes have been a particular concern in the for-profit sector, where research has found certificates do not pay off for the average student (Cellini and Turner 2019). By tying federal financial aid eligibility to measures of graduates' earnings and debt repayment, GE seeks to protect both students and taxpayers from programs that leave graduates with unaffordable debt and limited employment prospects.

Although the intent behind GE is clear, the rule's implementation and scope raise important questions about how best to define and measure "gainful employment." A singular focus on earnings outcomes may overlook broader dimensions of job quality and fail to account for students' varied needs, goals, and circumstances.

Origins and Legislative Foundation

The foundation of GE can be traced to the Higher Education Act, which stipulates that for-profit institutions must offer "an eligible program of training to prepare students for gainful employment in a recognized occupation."[2] Since the passage of the Higher Education Act in 1965, "gainful employment" has served as a central standard for determining whether proprietary institutions qualify for federal student aid.

For more than four decades, however, this requirement remained largely symbolic. The statute invoked the phrase without specifying how gainful employment should be defined, measured, or enforced. It was not until 2009, during the Obama administration, that the US Department of Education sought to operationalize the concept to address mounting concerns over the outcomes of for-profit colleges.[3] High student loan default rates, aggressive recruitment tactics, and limited evidence of meaningful labor market returns brought scrutiny to the sector. GE became a mechanism to ensure that federal aid dollars were supporting programs with verifiable student benefits.

Evolution of the Regulation

Through the negotiated rulemaking process, the Obama administration created the first set of standards to evaluate whether programs led to gainful employment using two tests: a debt-to-earnings ratio and a loan repayment rate.[4] Programs that consistently failed these tests risked losing access to federal aid.

These rules faced strong opposition, particularly from the for-profit sector, which argued that the rules were overly punitive and failed to reflect the complexity of labor market outcomes.[5] Legal challenges weakened some aspects of enforcement,[6] and the first Trump administration later rescinded the regulations entirely.[7]

In 2023, the Biden administration revived and expanded GE, retaining a debt-to-earnings metric while adding a new earnings threshold: Graduates must earn at least as much as the typical high school graduate in their state.[8] This addition reflects a growing emphasis on ensuring that higher education provides clear value-added benefits relative to not pursuing postsecondary education at all.

Earnings as the Benchmark

Using earnings as the central measure of program quality makes intuitive sense. Earnings are easily quantifiable, available through administrative data, and closely tied to economic mobility. For policymakers and the public, wage gains represent a straightforward indicator of whether an educational program "works."

Moreover, in policy discourse, earnings are often used as a proxy for a "good job" (Strohl, Gulish, and Morris 2024). A job that pays higher wages is assumed to provide better opportunities for financial stability, advancement, and long-term well-being. From this perspective, tying federal aid eligibility to earnings outcomes provides a simple accountability framework that aligns with taxpayers' interests.

A minimum earnings threshold aims to ensure that if students invest money and time into a program, they are at least left with a job that pays a living wage. And earnings are, of course, a top reason that students enroll in postsecondary education.[9] So it is reasonable to require postsecondary programs to meet a minimum earnings threshold, ensuring students can achieve their objectives. But research consistently shows that job quality is multidimensional (Congdon et al. 2020). Although earnings are important, they are not the only consideration for many workers. Health insurance, retirement benefits, paid leave, predictable schedules, and job security significantly affect whether a job contributes to long-term well-being. By ignoring these factors, GE risks penalizing programs that lead to jobs that graduates value for reasons beyond earnings. For example, a single parent may prioritize flexibility in work hours over higher pay, especially if reliable child care is a concern. Or an early-career worker may value opportunities for advancement and skill development, even if starting salaries are modest. Under GE metrics, programs that lead to such opportunities could fail, even if students consider them worthwhile.

Another limitation of GE is its reliance on absolute postcompletion earnings without considering what students previously earned. Many adult learners, particularly those attending for-profit institutions, enter programs with lower preenrollment earnings than GE's earnings threshold might account for. For these students, wage gains can represent significant progress, even if the wages themselves are still below the GE threshold.

Research shows that short-term certificates can provide higher returns than a high school diploma alone, but outcomes vary widely by program type and student demographics (Baum, Holzer, and Luetmer 2020). Evaluating programs solely on postcompletion earnings can obscure how much students actually improved their economic circumstances. A student who doubles their earnings after completing a certificate program may still have earnings that are below the GE threshold, despite experiencing meaningful upward mobility.

Measuring What GE Misses

To better understand the relationship between pre- and postenrollment earnings, we collected data from two for-profit career colleges with programs at risk of failing the GE rule to examine students' earnings before they enrolled. By comparing these preenrollment figures with postcompletion GE data, we can assess whether students experience meaningful improvements, even if they do not cross absolute wage thresholds.

Additionally, we surveyed one of the institution's current students to understand their previous employment circumstances and what job benefits matter most to them beyond earnings (e.g., flexible hours, health coverage, and job stability) as they consider their postgraduation employment.

Data and Methods

For our analysis of preenrollment earnings, we use administrative data collected from two for-profit career colleges. These data include students who completed their program during the 2014–15 or 2015–16 academic year. We focus on these years so we can compare preenrollment earnings with earnings three years after completion. These data include students' earnings before enrollment; credential award level; field of study, by four-digit Classification of Instructional Programs code; and demographic information, including age, race, gender, and dependency status. We limit our analysis to independent students, which allows us to make a fairer comparison between preenrollment and postcompletion earnings. We adjust preenrollment earnings to 2019 dollars to match the measurement of postcompletion earnings.

Data from the first institution, a for-profit career college in Texas, include 1,609 independent students across seven programs, all in health-related fields (table 1). The overwhelming majority of these students are women, and each program graduates more students of color than white students. The median age of these students when starting their program ranges from 24 to 35.5.

TABLE 1

Programs and Graduates at a For-Profit Career College in Texas, 2014–15 and 2015–16 Pooled Cohort

Field of study	Independent students	Share female	Share Black	Share Hispanic	Share white	Median age at entry
Dental support services and allied professions	244	95%	19%	66%	10%	24.0
Health and medical administrative services	170	93%	36%	39%	19%	33.5
Allied health and medical assisting services	507	87%	25%	51%	19%	25.0
Allied health diagnostic, intervention, and treatment professions	385	68%	21%	45%	28%	28.0
Practical nursing, vocational nursing, and nursing assistants	59	88%	69%	10%	15%	33.0
Health and medical administrative services (AA)	106	93%	36%	26%	30%	35.5
Allied health diagnostic, intervention, and treatment professions (AA)	138	81%	22%	38%	34%	29.0

Source: Administrative data collected from a for-profit career college in Texas.

Notes: AA = associate's degree. Unless otherwise noted, programs are at the undergraduate certificate level. Population is limited to independent students.

Data from the second institution, a for-profit career college in Virginia, include 1,096 independent students across nine programs (table 2). Most programs are health related, but the college also offers degrees in business and computer and information technology. In all but one program, graduates are mostly women. More than half of graduates in eight of the nine programs are also Black students. The median age of these students when starting their program ranges from 22 to 29.

TABLE 2

Programs and Graduates at a For-Profit Career College in Virginia, 2014–15 and 2015–16 Pooled Cohort

Field of study	Independent students	Share female	Share Black	Share Hispanic	Share white	Median age at entry
Dental support services and allied professions	97	97%	62%	3%	23%	24
Health and medical administrative services	386	94%	64%	2%	21%	29
Somatic bodywork and related therapeutic services	31	68%	55%	3%	29%	22
Practical nursing, vocational nursing, and nursing assistants	74	97%	74%	5%	9%	27
Computer and IT administration and management (AA)	38	26%	61%	8%	13%	26
Health and medical administrative services (AA)	306	95%	58%	6%	19%	27
Somatic bodywork and related therapeutic services (AA)	61	85%	51%	3%	30%	28
Business administration, management, and operations (AA)	69	57%	55%	3%	23%	29
Business administration, management, and operations (BA)	34	59%	38%	0%	26%	28

Source: Administrative data collected from a for-profit career college in Virginia.
Notes: AA = associate's degree; BA = bachelor's degree; IT = information technology. Unless otherwise noted, programs are at the undergraduate certificate level. Population is limited to independent students.

To compare the preenrollment earnings provided by the colleges with postcompletion earnings, we use GE data from the US Department of Education.[10] GE data also include students who completed their credentials in 2014–15 or 2015–16 at any institution, but we limit our analysis to the two institutions for which we have preenrollment earnings data. GE data provide information on graduates' earnings three years after completion (measured in 2018 or 2019), student loan debt, and the high school earnings threshold that would be compared with graduates' earnings to determine GE outcomes.

In addition to these data sources, we surveyed current students at the college in Texas to learn about their financial and employment circumstances before enrolling in their current programs and the financial and nonfinancial value they expect to receive from their education. Out of 8,349 students, we received 1,188 survey responses, for a 14 percent response rate. Almost two-thirds of respondents are enrolled in certificate programs, about one-quarter are in associate's degree programs, and 10 percent are in bachelor's degree programs. Ninety-one percent of respondents are women, and 76 percent are Hispanic students or Black students. These demographic characteristics roughly mirror the overall student population, but respondents may not be representative based on unobservable characteristics, such as satisfaction with their education.

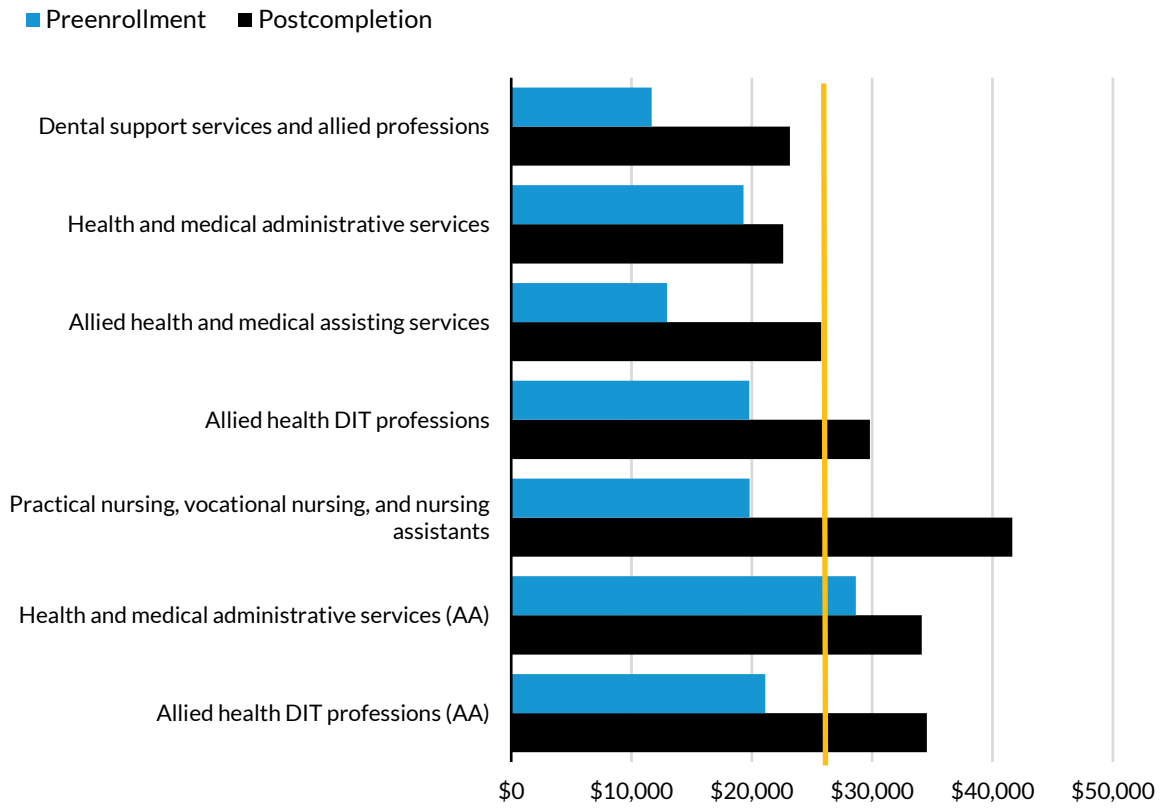
How Do Preenrollment Earnings Compare with Postcompletion Earnings?

The GE rule requires institutions to meet a high school earnings threshold. Conceptually, this threshold requires programs to produce earnings for their students that are at least as high as the students would be able to earn without ever enrolling in the program. The possibility exists, however, that a program enrolls students whose counterfactual high school earnings could differ from the overall state median. For example, a program that enrolls mostly women could fall into this category because most working high school graduates are men, who, on average, earn more than women because of occupational segregation and labor market discrimination.[11] In this case, a program could be providing its students financial value even if postcompletion earnings do not surpass the required threshold.

To examine whether this could be happening at the two institutions whose data we collected, we compare the median of what students were actually earning before enrolling with both the high school threshold and the median earnings of students three years after completing their program. We find that some programs that fail to meet the high school earnings threshold appear to result in substantial earnings gains relative to preenrollment earnings. For example, Texas has a high school earnings threshold of $25,899 in 2019 (equivalent to $32,686 in 2025 dollars). The Texas institution's certificate program in dental support services and allied professions results in median earnings of $23,151, compared with median preenrollment earnings of $11,668 after adjusting for inflation (figure 1). Although the program appears to provide financial value, it is at risk of failing GE.

FIGURE 1

Median Preenrollment and Postcompletion Earnings for a For-Profit Career College in Texas



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Sources: Administrative data collected from a for-profit career college in Texas and gainful employment data from the US Department of Education.
Notes: AA = associate's degree; DIT = diagnostic, intervention, and treatment. The vertical line is the high school threshold. All earnings are in 2019 dollars. Unless otherwise noted, programs are at the undergraduate certificate level. Preenrollment earnings are limited to independent students.

Enrollment in this dental support program is 95 percent women and 85 percent Black or Hispanic students, both of which could contribute to lower earnings because of labor market discrimination and occupational segregation. The median age of students in the program is just 24, which could also contribute to preenrollment earnings lower than the high school threshold. The GE rule measures the high school threshold with 25-to-34-year-olds. These additional years in the labor market could increase earnings. A certificate in health and medical administrative services has a median age of 33.5, which is on the higher end of those included in the high school threshold. But the median preenrollment earnings of these students ($19,296) still fall below the high school threshold. The program, however, appears to provide a smaller earnings gain than the dental program, 17 percent compared with 98 percent.

Both the preenrollment and postcompletion earnings measures include those who are not working or are working less than full time. Although we include these students to allow for an even comparison, it is possible that some earnings gain after completing a program can be attributed to more students working full time or to part-time workers working more hours.

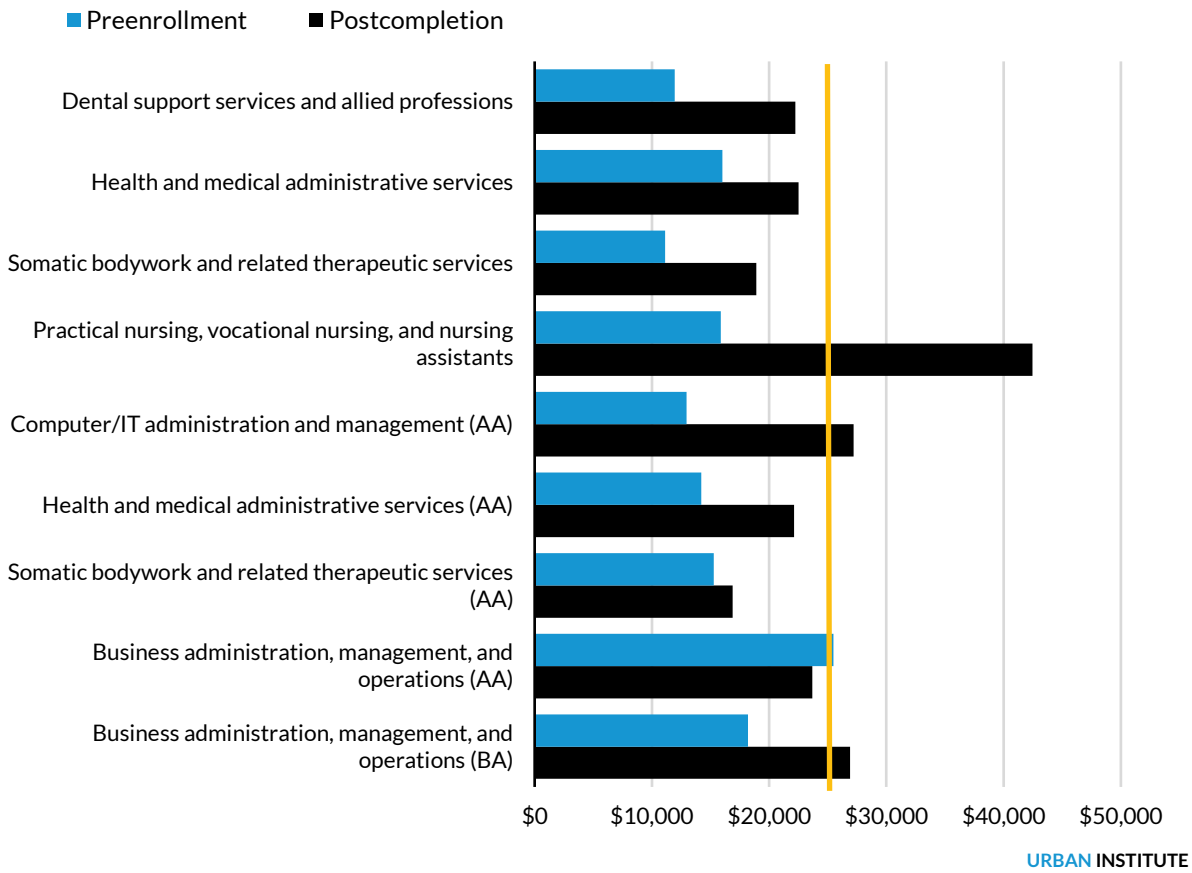
Overall, five of these seven programs show earnings gains of more than 50 percent. Certificates in practical nursing, vocational nursing, and nursing assistants produce the largest earnings gain, 110 percent, and postcompletion earnings are $41,634, surpassing the high school threshold.

Although none of these programs fail the GE debt-to-earnings test, debt levels are important context for a credential's value. The three programs whose postcompletion earnings fall below the high school benchmark have a median debt level of $9,300. The other four programs' median debt levels are between $15,000 and $23,000. These debt figures raise the question of whether students could receive the training necessary for their professions without taking on debt, particularly when postcompletion earnings are low. In some cases, it could be more efficient to provide on-the-job training to limit the out-of-pocket and opportunity costs for students. For socially valuable jobs, such as those in health care, these alternative training models might become necessary to avoid labor shortages if GE causes some of these programs to close.

The second institution, the for-profit career college in Virginia, shows similar results for most of its programs. Six of the nine programs have postcompletion earnings that fall below Virginia's high school threshold of $25,569 (equivalent to $32,269 in 2025 dollars). Of these six programs, four show earnings gains between 40 and 86 percent after adjusting for inflation (figure 2). One program, an associate's degree in business, shows a slight earnings decrease of 7 percent.

FIGURE 2

Median Preenrollment and Postcompletion Earnings for a For-Profit Career College in Virginia



Sources: Administrative data collected from a for-profit career college in Virginia and gainful employment data from the US Department of Education.

Notes: AA = associate's degree; admin. = administrative or administration; BA = bachelor's degree; IT = information technology. The vertical line is the high school threshold. All earnings are in 2019 dollars. Unless otherwise noted, programs are at the undergraduate certificate level. Preenrollment earnings are limited to independent students.

Similar to the college in Texas, this college's certificate in practical nursing, vocational nursing, and nursing assistants produces the largest earnings gain, 167 percent, and postcompletion earnings ($42,463) are well above the high school benchmark. Less than half of students in this program borrow, meaning median debt is $0. The college's other three certificate programs have median debt between $6,000 and $10,000, and these programs pass the GE debt-to-earnings test. But all four of the college's associate's degree programs fail the debt-to-earnings test, with median debt levels between $18,000 and $20,000. The associate's degree in computer and information technology produces a 110 percent earnings gain and passes the high school earnings test. But the GE rule implies the debt required to complete the degree ($19,600 at the median) is not affordable at the typical earnings level. In this case, even though earnings surpass the high school threshold, the program might have to lower its costs to

make the debt affordable and to ensure the program still provides students a return on their investment.

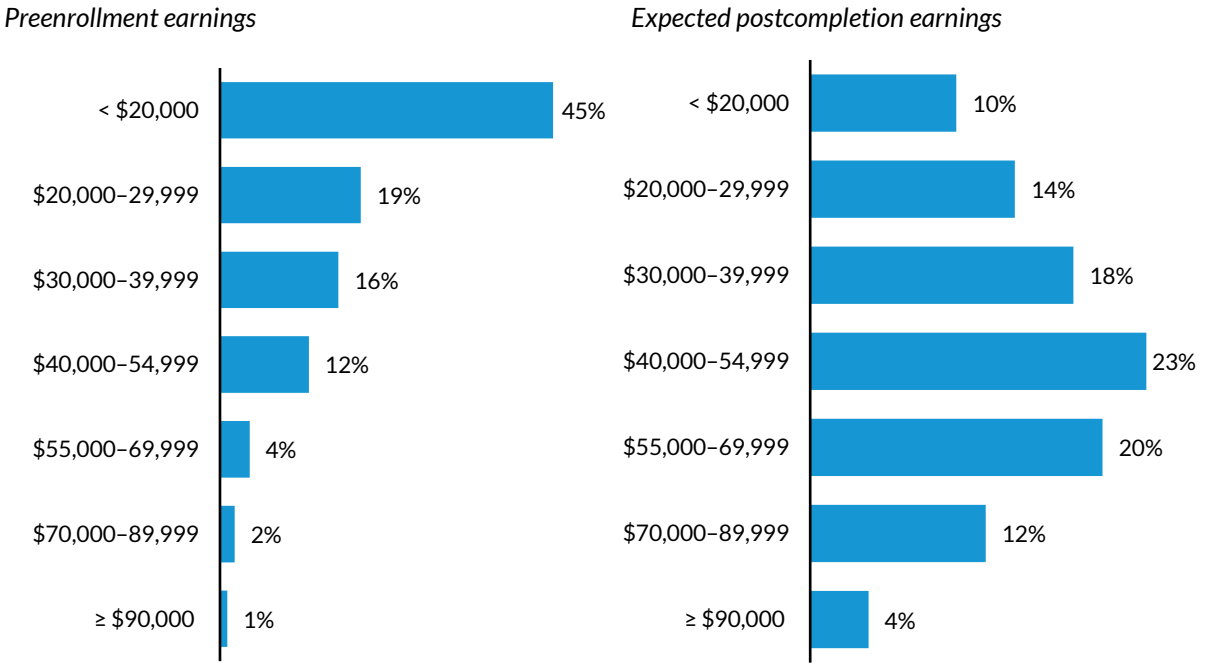
What Do Students Expect to Earn?

Our survey of current students at the college in Texas provides more context on preenrollment financial situations and what financial value students expect from their education. Forty-five percent of survey respondents earned less than $20,000 a year before starting their program, and another 19 percent earned between $20,000 and $29,999, which is also below the current high school earnings benchmark for Texas (figure 3). About one-third of students earned at least $30,000. On average, these students expect to earn substantially more after completing their program, with 59 percent expecting to earn at least $40,000 and just 24 percent expecting to earn less than $30,000.

At the median, students expect to earn between $40,000 and $54,999, but postcompletion earnings data show that actual median earnings are likely to be lower for many programs. After adjusting for inflation, four of the seven programs we studied at this institution led to earnings below $40,000. Most students expect earnings that surpass the high school threshold, but our analysis suggests some programs will not lead to this level of earnings gain for all students.

FIGURE 3

Current Students' Preenrollment and Expected Postcompletion Earnings



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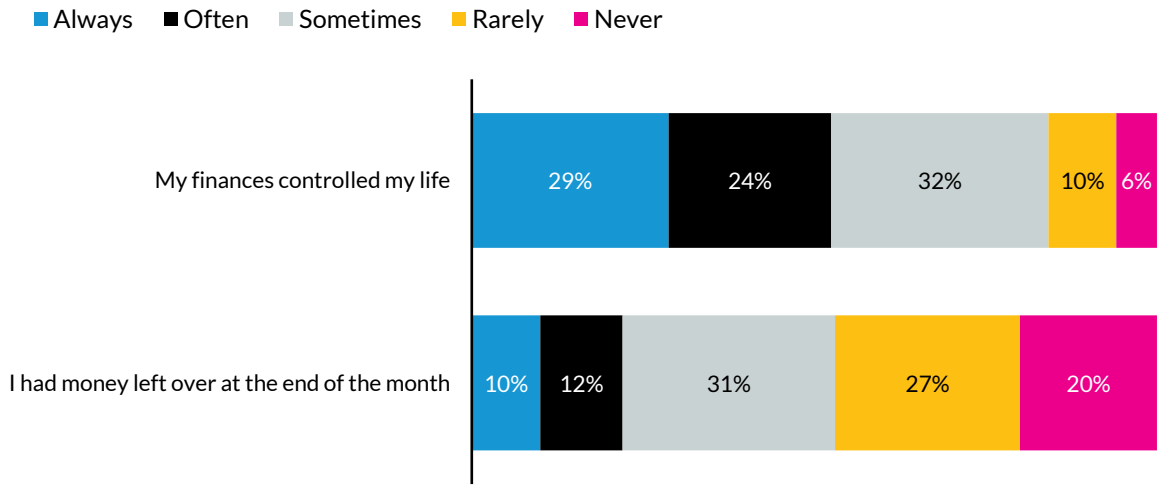
Source: Survey of 1,188 current students at a for-profit career college in Texas.
Notes: Percentages might not sum to 100 percent because of rounding. Questions were worded as "Which of the following best describes your yearly personal income before enrolling in your current education program?" and "About how much personal income do you expect to earn yearly in the first 3 years after completing your current education program?"

Before starting their programs, many students were struggling financially. Fifty-three percent of respondents felt their finances always or often controlled their lives, and just 16 percent said finances rarely or never controlled their lives (figure 4). Twenty-two percent of students always or often had money left over at the end of the month, while 47 percent rarely or never had money left over.

FIGURE 4

Current Students' Preenrollment Financial Circumstances



URBAN INSTITUTE

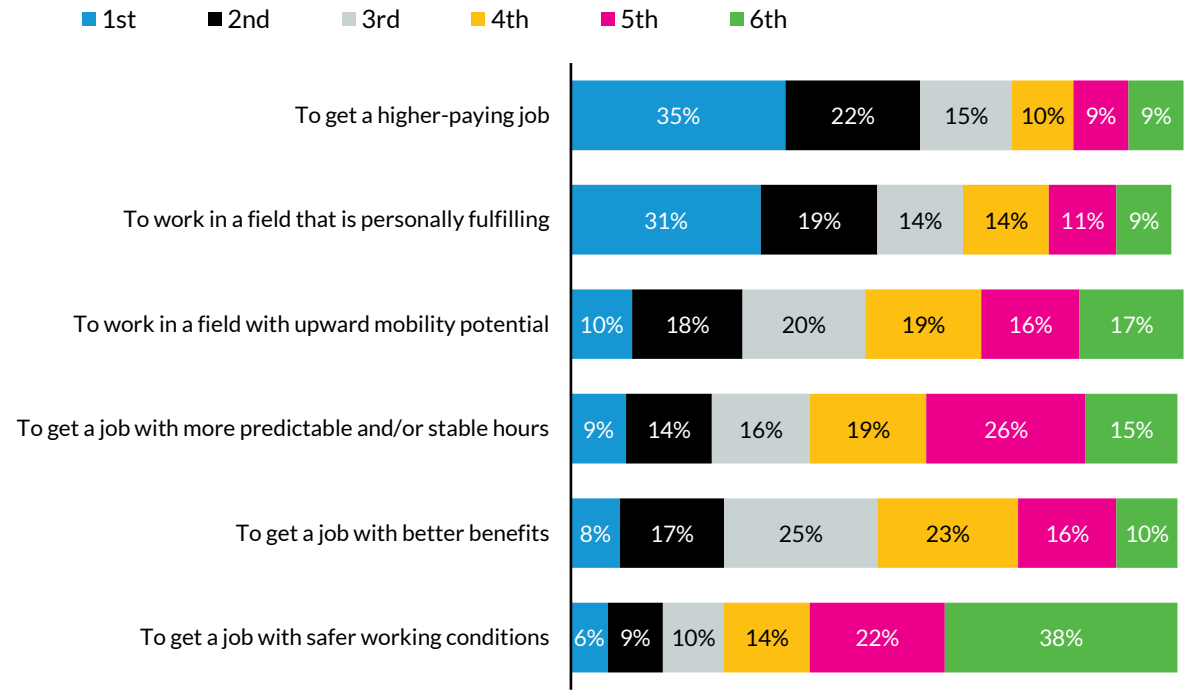
Source: Survey of 1,188 current students at a for-profit career college in Texas.
Notes: Percentages might not sum to 100 percent because of rounding. Question was worded as "How often did each statement apply to you before enrolling in your current education program?"

What Do Students Value from Their Education Beyond Earnings?

For many students, education provides nonfinancial value in addition to any earnings gains and can help secure a job with better nonearnings benefits and fulfillment. In our survey, we asked students to rank how important six different reasons were for deciding to enroll in their program. Thirty-five percent of respondents ranked "to get a higher-paying job" as their top reason for enrolling, and another 22 percent said it was their second most important reason (figure 5). Thirty-one percent ranked "to work in a field that is personally fulfilling" as their top reason, and 19 percent ranked this reason second. Higher pay and working in a fulfilling field were, on average, substantially more important to students than getting jobs with more upward mobility potential, more predictable or stable hours, better benefits, or safer working conditions.

FIGURE 5

Current Students' Ranked Six Reasons for Enrolling in Their Program, by Level of Importance



URBAN INSTITUTE

Source: Survey of 1,188 current students at a for-profit career college in Texas.
Notes: Percentages might not sum to 100 percent because of rounding. Question was worded as "Which of the following were reasons that you enrolled in your current education program? Rank the order of importance."

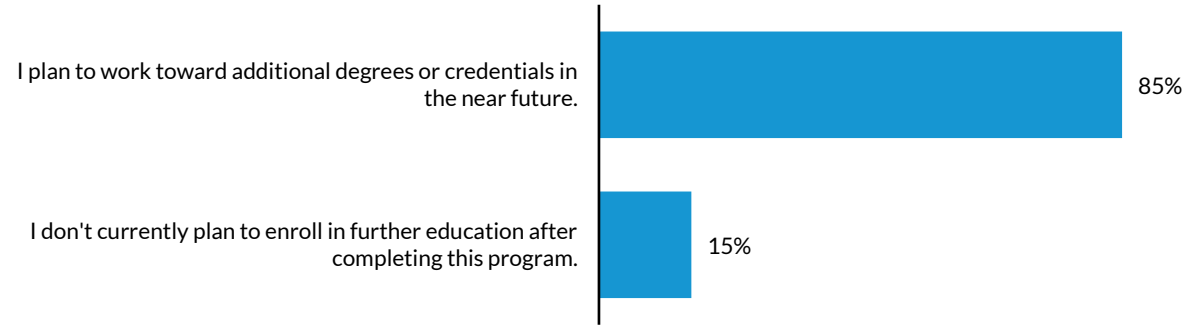
The GE rule's focus on earnings appears to reflect one of the top reasons these students decided to enroll in their programs. But for 43 percent of these students, higher pay was not one of the top two reasons for enrolling. This analysis is based on just one institution and might not be representative of the sector. If future research reveals that this sentiment is widespread, it could make sense to consider other aspects of job quality in accountability measures and work toward making those data more readily available.

Eighty-five percent of the surveyed students said they plan to pursue an additional credential (figure 6). This result adds important context to the GE rule. The rule judges each program individually, which is the most feasible method in terms of reliably analyzing data. But most students see their program as just one piece of their education. Evidence suggests, however, that students actually enroll in additional education at lower rates than they plan to. For example, 80 percent of community college students plan to earn a bachelor's degree, but just one-third actually transfer to a four-year institution.[12] Although this data point is not from students at this particular institution, it is likely that fewer than the 85 percent of these students who plan to enroll actually will. This discrepancy between

students' plans and outcomes could be a reason policymakers decided to look at programs individually for the GE rule.

FIGURE 6

Current Students' Future Education Plans



URBAN INSTITUTE

Source: Survey of 1,188 current students at a for-profit career college in Texas.
Notes: Percentages might not sum to 100 percent because of rounding. Question was worded as "Which best describes your future education plans?"

Policy Implications

The GE regulation was developed to hold career-focused training programs accountable for student outcomes, specifically providing earnings at least as high as those of a high school graduate and passing a debt-to-earnings threshold. But our analysis of administrative data from two career colleges reveals several areas where the GE regulation may be penalizing programs that actually provide earnings benefits.

The rule might also be missing unobservable factors such as labor market discrimination or benefits that are being picked up only by surveys or qualitative data. By providing a strict threshold, GE risks overlooking factors that go beyond earnings that might meaningfully contribute to whether a student considers their credential to be valuable.

Most of the programs we studied appeared to produce earnings gains relative to students' preenrollment earnings, but several programs are at risk of failing the GE earnings test. Many of these programs were in health care fields and enrolled mostly women of color, who are at a disadvantage in the labor market because of occupational segregation and discrimination. This labor market disadvantage could be a contributing factor to the low earnings before and after they earn their credentials, particularly because the high school earnings threshold measure includes more men than women. Policymakers could account for these labor market issues by adjusting earnings thresholds according to the types of students a program enrolls.

Another factor that may affect earnings is variation in local labor markets and cost of living. Although the GE earnings threshold is measured at the state level, economic conditions within a state can differ significantly. For instance, say two institutions in Texas are located in different areas, one in Austin and one in Laredo. According to the Bureau of Labor Statistics, the average hourly wage in May 2024 was $34.32 in Austin[13] but only $22.63 in Laredo[14]—a 52 percent difference. As a result, programs in Laredo may find it harder to meet the earnings test than similar programs in Austin, simply because of their location. This geographic variation can put programs in smaller or more rural areas at a disadvantage. One possible remedy would be to measure high school earnings at a more localized level.

Finally, our survey of current students at one college found that most of them plan to pursue additional credentials, meaning they do not view short-term credentials as terminal. Evaluating programs as a stand-alone outcome may understate their long-term value if students view these credentials as stepping stones. That said, we do not have the data to see how many of these students actually do enroll in additional education, and similar data points at other schools suggest a smaller share of students actually enrolls than plans to.

Because Congress passed a new earnings test to hold programs accountable as part of the One Big Beautiful Bill Act,[15] associate's degree programs and above at all institutions will be required to produce earnings at least as high as those of a working high school graduate (or a bachelor's degree holder for graduate programs). This creates a different accountability standard than what exists under GE because it does not include a debt-to-earnings ratio and measures earnings four years after completion instead of three years. These differences suggest the One Big Beautiful Bill Act test will likely be easier to pass than GE because debt will not be a factor and students will have an extra year to increase their earnings before measurement. Therefore, degree programs at for-profit institutions, which will be subject to both accountability measures, are more likely to be affected by GE.

Our analysis has limitations. One limitation of our earnings analysis is that it is based on students who completed their program and started working before the COVID-19 pandemic. Because the pandemic had lasting effects on education and labor markets, it is possible these results could be different if we examined earnings data for today's students. This analysis is also based on just two institutions and might not be representative of the full set of programs at risk of failing GE. For example, our findings could be specific to programs in health care or programs that enroll more students of color. Future research should examine a more comprehensive set of programs, institutions, and students to learn the full extent of the GE rule's possible effects.

Notes

[1] Financial Value Transparency and Gainful Employment, 88 Fed. Reg. 70004 (Oct. 10, 2023).

[2] Higher Education Act, section 102(b)(1)(A)(i).

[3] Madison Weiss, "The Tortured Path of the Gainful Employment Rule," Center for American Progress, May 17, 2023, https://www.americanprogress.org/article/the-tortured-path-of-the-gainful-employment-rule/.

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[12] Tatiana Velasco, John Fink, Mariel Bedoya-Guevara, Davis Jenkins, and Tania LaViolet, "Tracking Transfer: Community College and Four-Year Institutional Effectiveness in Broadening Bachelor's Degree Attainment," Columbia University Teachers College, Community College Research Center, accessed October 1, 2025, https://ccrc.tc.columbia.edu/publications/tracking-transfer-community-college-and-four-year-institutional-effectiveness-in-broadening-bachelors-degree-attainment.html.

[13] Bureau of Labor Statistics, "Occupational Employment and Wages in Austin-Round Rock-San Marcos—May 2024," news release, June 17, 2025, https://www.bls.gov/regions/southwest/news-release/occupationalemploymentandwages_austin.htm.

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[15] One Big Beautiful Bill Act, H.R. 1, 119th Cong. (2025).

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