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Human Capital Theory and the U.S. For-Profit Education Industry's Earnings Announcements During the High Unemployment Years of 2008-2010

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A B S T R A C T

Human capital theory posits that individuals will pursue educational opportunities with the intent of improving their economic condition. This suggests that education institutions would experience increased enrollment levels, which would be followed by an increase in surprise positive earnings announcements and corresponding positive, significant abnormal returns. Other researchers concluded that some firms engage in opportunistic timing practices to minimize negative market reactions to the release of adverse earnings news, such as changing the release dates of earnings announcements. This research examines hypotheses related to the quality of earnings announcements using a sample of 24 publicly traded U.S. firms in the for-profit education industry during the high unemployment years of 2008-2010. The empirical results show significant positive abnormal returns in response to surprise positive earnings announcements. The results show no evidence of opportunistic timing practices associated with Friday versus other week-day earnings announcements or evidence of greater positive versus negative surprise earnings announcements.

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