COVID-19's Effect on Schooling Options in Peru, Dominican Republic, and the US

Extended Abstract

COVID-19 has upended the education sector, with schools closing and shifting to remote instruction. There is increasing concern that in many developing countries where low cost private schools are a large share of the market that COVID-19 could lead to a string of permanent school closures and bankruptcies. This paper summarizes initial findings of a survey of 1,000 principals across two developing countries, Peru and Dominican Republic, to study the private education sector's response to the COVID-19 crisis. We then compare the results to school surveys in four out of the five US states most affected by the pandemic (Florida, New Jersey, Texas, and California) to provide a benchmark as to how high-income countries are responding. We document that many private options are unable to survive, while those still operating are losing many of their students to cheaper or public options; despite this, many such schools are not accessing government assistance programs they are eligible for. Given the large demand shift across sectors, the government faces the challenge of quickly assigning students to a capacity-constrained public system. We thus supplement the private school surveys with surveys of 13,000 Peruvian parents, many of whom are seeking new schools for their children. We compare these survey results to the actual assignments the students receive to evaluate the reassignment process.

We collected data from 1,499 private school principals surveyed in Peru (n=186)[1], Dominican Republic (n=803), and the United States (n=510), between April 30th and August through calls, e-mails and SMS. Preliminary results suggest that low price schools in all countries have faced more challenges than the rest to respond adequately to the COVID-19 crisis in terms of instruction, student retention, staff layoffs, additional investments to adapt, and revenue losses. Altogether, these factors appear to be associated with self-reported learning outcomes and probabilities of closure.

Many of these challenges may be driven or exacerbated by informational or application frictions in accessing government assistance. Despite governments' implementation of aggressive and unprecedented package of measures to fight the COVID-19 pandemic, including generous loan and subsidy programs targeting small and medium business (Reactiva Peru in Peru, FASE in Dominican Republic, and PPP in the US) 49.6% of principals in DR, and 31.3% in the US are not aware of the existence of the programs. In contrast, the majority of principals who knew about these programs had already applied to one (DR 77.6%, US 93%). These gaps increase

[1] Currently, the Principal Phone Survey in Peru is still ongoing.

as we focus on low-price schools or schools with parents coming from lower socioeconomic backgrounds, even though these schools' eligibility does not vary across these dimensions.

In Peru, 70% of schools report not having applied to any relief program despite being eligible for some type of government aid. In this regard, we use administrative data on the universe of schools receiving government aid to document three facts. First, there is an important socioeconomic gradient in the share of schools that receive government assistance. Figure 1a) shows that 12% of high SES schools receive the Activa Peru program, while only 7% of low SES apply and get the same aid package. Second, the overall share of schools obtaining aid is quite small, which indicates that there is still considerable room to improve access. Third, institutions belonging to a school chain are 6 times more likely (36% vs 6%) to obtain aid relative to the rest of the institutions (Figure 1b). Anecdotal evidence from conversations with school principals and school chain managers point out to the role of resources and human capital in overcoming application costs.

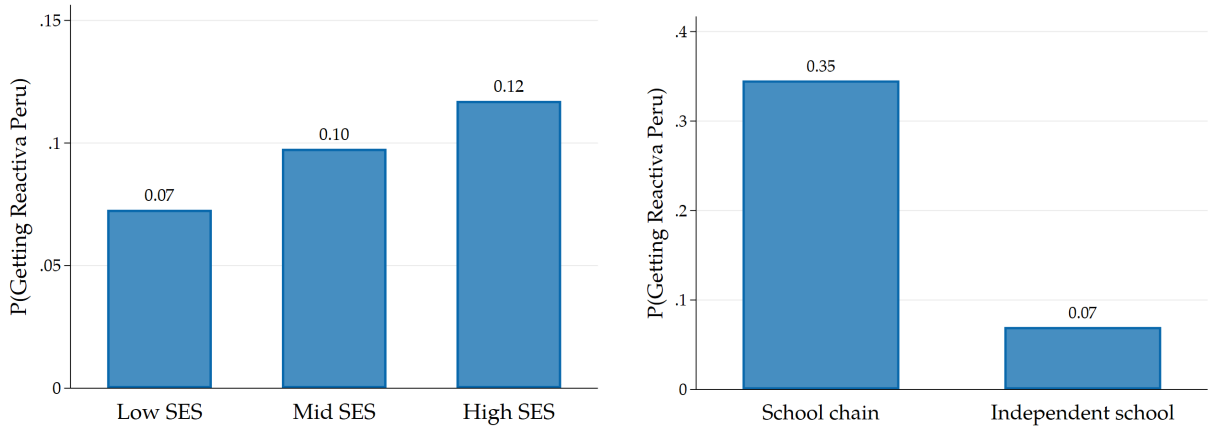
Evidence from Peru suggests that the lack of access to government assistance is partly driven by a combination of informational frictions and application costs that arise from having to understand and navigate a cumbersome application process. In Figure 2 we show that many high quality schools, as measured by the value added they provide, also fail to benefit from relief packages. Findings lead us to believe that a simple and relatively cheap informational intervention has the potential to prevent the closure of good schools that provide a lot of value to the educational system.

In the absence of high take-up of governmental assistance, many of the private schools are unable to retain their enrolled students. Large numbers of families seeking cheaper options, often driven by household income shocks, has led to a sudden mid-year reassignment of students to schools. To understand this process, we surveyed 13,000 Peruvian parents from private and public schools. Parents were surveyed in three batches, and the last batch included questions on school preferences for parents who signed up to be assigned to a public school on top of questions about their current school's response to COVID-19. We find that 70% of households in Peru report their inability to pay the schools' tuition as the main reason for desiring to switch schools. This latter share is decreasing on the income level of the family. This is consistent with a decrease of 50% in parents' willingness to pay for school across all income levels, around 10 percentage points lower than tuition reductions made from schools.

The Peruvian government implemented a rapid centralized reassignment process that relied on estimates of students' preferences rather than collecting them directly. Only 6.5% (8.9%) of the students were assigned to their most preferred school (any school on their list of top 8 preferred schools). Moreover, the average distance to the schools to which the students were assigned increased from 0.9 kms in urban areas to more than 2.5 kms. When we compare the assignment results with students' expressed preferences from our parental survey and find that students are assigned to different schools and schools farther from home than they would choose on their own.

To sum up, the survey results allow us to describe the current and future impacts of closures on students' learning and to document schools' beliefs of closure. We document a potential increase in the inequality of learning outcomes across high and low price schools in spite of their quality. We also measure the gap in awareness about government relief packages that could help private good and low-price schools to remain viable. In the future, we plan to implement a randomized control trial that aims at increasing application and access to government aid in Peru and Dominican Republic. This intervention seeks to give schools access to advisers who provide guidance on how to navigate the government aid application process. Lessons from this experiment will shed light on the role of government aid in shaping the schooling market structure in times of COVID-19.

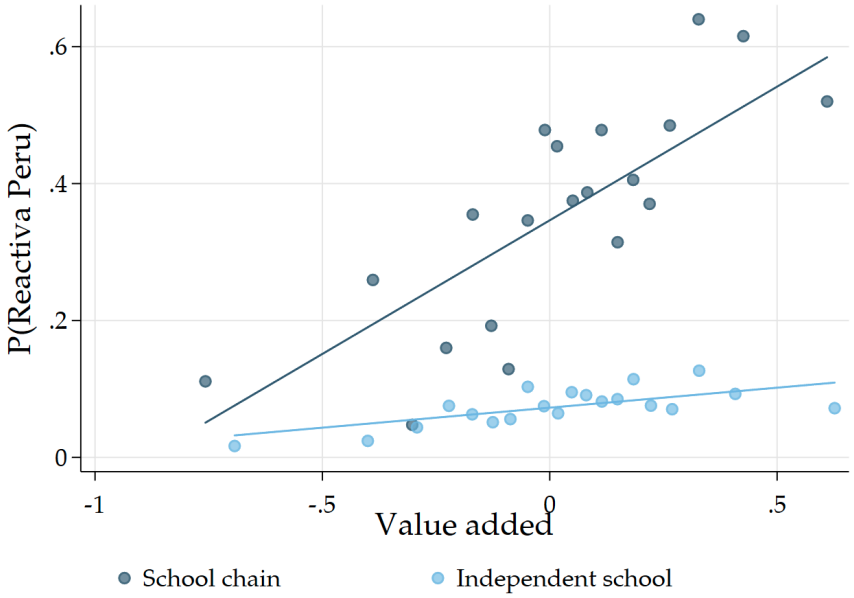
Figure 1: Access to financial aid by SES and school type



(a) By SES

(b) By Chain status

Figure 2: Access to financial aid by value added


P(Reactiva Peru)
.6
.4
.2
0
-1
-.5
0
.5
Value added
School chain
Independent school