

The Collateral Effects of Private School Expansion in A Deregulated Market: Peru, 1996-2019

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Abstract

This document explores the mid-term effects of the “by-default” privatization taken place in the Peruvian educational system since the decade of 1990. It exploits exogenous policy shocks that allowed, for the first time in Peruvian history, private schools to operate on a for-profit basis. Using household surveys as well as population and school censuses, the identification strategy takes advantage of the variation on the private school expansion across provinces and the year of birth of individuals. These exogenous variables determine the degree of exposure to the privatization process. The results show that provinces with initial intense presence of private schools, are those where the private expansion increased more. Also, results suggest that the treatment has a negative effect on educational and labor market outcomes for the younger cohorts, after an initial period of positive effects. These findings point that the liberalization of educational markets not necessarily leads to better outcomes for the educational system, and in the mid-term, neither for labor market outcomes.

Keywords: economics of education; educational expansion; impact evaluation; private education; school choice.