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Brief Report

Education system resilience in the face of inflationary pressures

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Abstract: This paper examines the detrimental impact of rapid inflation on the quality of private education in developing countries. By focusing on the financial challenges faced by private schools, the study highlights the tension between education policy and economic realities. While private schools often attract parents with smaller class sizes and specialized programs, the core motivation lies in investing in children's future through quality education. However, this study demonstrates how inflation can cripple this sector. The case of Turkey exemplifies this challenge. Post-pandemic inflation created a financial stranglehold on private schools, as rising costs made it difficult to adjust teacher salaries. This, in turn, led to teacher demotivation and a mass exodus, ultimately compromising educational quality. Furthermore, government interventions aimed at protecting parents from high tuition fees, through limitations on fee increases, inadvertently sacrificed the very quality they sought to safeguard. The paper concludes by advocating for alternative policy approaches that prioritize direct support for education system during economic downturns. Such measures are crucial for ensuring a strong and resilient education system that benefits all stakeholders, including parents, students, and the nation as a whole.

Keywords: private education; inflation; human capital; growth; educator income

1. Introduction

The emergence of COVID-19 in late 2019 triggered a global public health crisis with profound economic ramifications. As nations grappled with lockdowns and social distancing measures, supply chains were disrupted, businesses shuttered, and unemployment skyrocketed. To mitigate these unprecedented economic woes, monetary authorities across the globe implemented expansionary policies. This strategy aimed to stimulate aggregate demand, maintain the smooth operation of the financial system, and bolster business survival and employment.

While expansionary policies offered vital support during the pandemic, they carried unforeseen costs. These included inflation, asset bubbles, financial distortions, and a rise in long-term debt burdens. Notably, the rapid rise in inflation, a phenomenon not anticipated before the pandemic, had a transformative impact on various sectors. This paper focuses on the private education sector, a crucial component negatively affected by inflationary pressures.

Our analysis utilizes data from Turkey, a country experiencing one of the world's highest inflation rates since 2021 (IMF, 2024). Through this lens, we explore how regulatory changes can alleviate the situation in periods of rapid inflation and propose potential solutions to reduce the economic burden on private education.

We hypothesize that due to the dependence of private education on individual financing and its crucial role in fostering human capital for a nation's long-term prosperity, it deserves close attention from policymakers during periods of rapid inflation. This study aims to shed light on the challenges faced by the private education sector in such environments and propose strategies for navigating these economic headwinds.

The article offers a unique contribution to the literature by examining the specific challenges faced by private education in Turkey during a period of high inflation. While previous studies have explored the role of private education in various contexts, this paper studies the intricate interplay between inflation, tuition fees, teacher salaries, and the overall quality of education. By providing a detailed analysis of the Turkish case, the article sheds light on the specific challenges and potential solutions that can be adapted to other countries experiencing similar economic conditions.

2. Private education and welfare

Private education, though often debated for its impact on equality and its limited overall presence within national systems (please see **Table 1**), offers a range of potential benefits that contribute to overall educational well-being (Neal, 1998). While concerns regarding resource allocation and access persist, private schools act as a complementary force to public education, particularly in areas struggling with limited public provision (Kingdon, 2020). This involvement can demonstrably increase access to education, offering vital alternatives in underserved regions. Furthermore, private institutions can introduce innovative pedagogical approaches and specialized curriculums, fostering a more dynamic and competitive educational landscape that benefits all students (Tooley, 2019). Additionally, private sector engagement can serve as a catalyst for research and development in educational technologies, potentially leading to more efficient and effective learning methods across the board (Kingdon, 2020). Despite its relatively small footprint within national education sectors, the contributions of private education extend far beyond its numerical representation. As such, a comprehensive understanding of the role of private education is essential when formulating effective national education policies.

Table 1. The share of private education in OECD countries' education sectors in 2022.

Level of Education	Average Share of Private Expenditure
Primary	7%
Lower Secondary	8%
All Levels (Primary to Tertiary)	15%
Tertiary	31%

Source: OECD: Review education policies. OECD (n.d.).

3. Private education in Turkey

Public education has traditionally served as the cornerstone of Turkey's educational system. However, recent years have witnessed a significant rise in the enrolment of students in private schools. While the raw figures, with a national average of 11% across all educational levels in 2022 (UNESCO Institute for Statistics, 2024), might suggest a limited role for the private sector, a closer examination reveals a more nuanced reality. This paper studies the motivations behind this trend, exploring the factors that influence parents' decisions to send their children to private institutions.

Several factors contribute to the rising popularity of private schools. Parents are increasingly attracted to smaller class sizes and enhanced educational programs offered by these institutions (Akbulut and Yetiş, 2018; Pulat, 2019), and the opportunity for foreign language education (Nartgün and Kaya, 2016). Furthermore, security and discipline are paramount considerations, particularly for parents residing in large cities (Aytaç and Zengin, 2015; Ersoy and Gürbüz, 2014). The pursuit of social status also plays a role in this decision-making process (Aytaç and Zengin, 2015; Ersoy and Gürbüz, 2014). Socioeconomic disparities are evident, with a 2022 study revealing that 73% of families with children in private schools have an income exceeding 50,000 TL, compared to just 38% in public schools (Rzayev and Mammadov, 2023). Similarly, the college graduation rate amongst parents is significantly higher in private schools (65%) compared to public schools (28%).

However, it is crucial to move beyond these surface-level observations. The existence of scholarships and the fact that a significant portion of Turkish families belong to the middle class suggest a deeper underlying motivation. Cinel (2021) argues that parents view private education as an investment in their children’s future, a means to equip them with the necessary skills to navigate a competitive world. These parents, with their own human capital exceeding the national average, understand the importance of education in shaping the country’s future human capital. This pursuit of human capital augmentation lies at the heart of the significance of private schools for Turkey’s economic growth. As Mincer (1984) posits, a more skilled and educated workforce is a key driver of innovation, productivity, and technological advancement, ultimately leading to a stronger national economy. It is within this framework that we must examine the expanding role of private education in Turkey.

The link between human capital and economic growth places immense importance on the quality of private schools in developing countries, including Turkey (Ogbeifun and Shobande, 2021). Research consistently demonstrates that a well-educated populace is instrumental in driving innovation, productivity, and overall economic prosperity (Jones, 2007). Within this context, the quality of schooling, both public and private, emerges as a pivotal factor. While infrastructure and educational systems undeniably contribute to learning outcomes, the quality of teaching is often cited as the most significant determinant of student achievement. Consequently, the efficacy and expertise of teachers are paramount in shaping the human capital of a nation (Harris and Sass, 2011).

In Turkey, private schools often hold an advantage over public schools by offering a different network experience and improved material conditions (Kara, 2019). Public schools, on the other hand, prioritize job security through a tenure system that guarantees employment until retirement. However, the financial health of private schools directly impacts their quality. With rapidly rising inflation, private schools face a unique challenge compared to other sectors. Unlike public schools, they are legally bound to fixed annual increases in tuition fees, making it difficult to adjust teacher salaries accordingly (Vergi, 2024). This financial strain can have a ripple effect, impacting the school’s ability to attract and retain qualified educators. Wang and Kimura (2024) show that investing in public education provides immediate benefits to families in terms of human capital development, while investments on private education tuition waivers have a more long-term impact on increasing human capital.

4. 2021–2024 inflation crisis

The global inflationary surge following the pandemic hit Turkey particularly hard, exacerbated by economic policies implemented in late 2021. In Turkey, private schools announce fees for the academic year (September-June) in March, roughly six months in advance. Enrollments begin in March based on these prices. While high and predictable inflation can be factored into this long-term cost estimation, unexpected inflation throws the system into disarray.

In February 2021, Turkey's annual inflation sat at 15%. Private schools used this data to determine pricing for the 2021–2022 academic year. National regulations allow schools to raise fees by a maximum of [(Consumer Price Index + Producer Price Index)/2] + 5 points (Legal Gazette, 2023). This translated to a 20% legal increase limit in February 2021. Considering market competition, schools opted for increases between 10% and 20%. Fee payments are flexible, with options for full upfront payment, installments starting in March with early-bird discounts, or full payment in September. These increases are used to cover rising costs across the board, including teacher salaries. Teacher contracts are renewed before summer, locking in salaries for the upcoming academic year. Notably, Turkey adjusts its minimum wage (which serves as the benchmark for nearly half the workforce) once a year in January. This adjustment, due to its interconnectedness, influences salary structures across the nation.

September 2021 marked the beginning of a perfect storm for private education in Turkey. The economic policies implemented just as the academic year kicked off proved disastrous. Interest rate cuts, a significant depreciation of the Turkish Lira, and a subsequent, sharp inflation spike created a domino effect with far-reaching consequences.

Even official inflation figures, which some economists argue underestimate the true picture, point to a staggering 55% increase in just six months, from September 2021 to February 2022. This period coincided with school renewal seasons for energy costs and lease agreements. The situation became even more critical with the announcement of a 50% increase in the minimum wage in January 2022 (CBRT Database, 2024).

Private school teachers, having negotiated a 15% annual raise based on previous year's inflation, found themselves in a precarious position. Junior teachers' net salaries for the September 2021 to August 2022 academic year were set at 4200 TL, comfortably exceeding the minimum wage by 50%. However, with the minimum wage hike in January 2022, their salaries effectively dropped to the new minimum of 4250 TL. This sudden equalization caused immense demotivation and unrest among teachers (Kariyer.net, 2024).

Despite the challenges, teachers continued their work, hoping for a salary adjustment with the expected increase in tuition fees in March 2022. However, bowing to parental pressure, the Ministry of Education capped the fee increase at a mere 36%. This unexpected intervention left schools with falling profit margins and unable to adjust salaries in January 2022.

While teachers accepted a proposed 30% above minimum wage salary for the next academic year, anticipating a rebound, another shock came in July 2022. The government announced an unforeseen interim increase in the minimum wage, raising it to 5500 TL due to high inflation. Once again, teacher salaries were equalized to the minimum wage before the increased payments even began.

By January 2023, the minimum wage saw another significant rise, this time by 54% to 8500 TL. This unprecedented increase eliminated all seniority distinctions within the sector, with almost all teachers receiving the minimum wage. The consequence of these rapid changes was devastating. Approximately 17% of private schools were forced to close their doors, taking over 2000 schools out of operation (Education Statistics of Turkey, 2023).

The remaining schools resorted to drastic cost-cutting measures that inevitably compromised the quality of education. Teacher motivation, job security, and effort diminished significantly. Parents found themselves caught in a spiral of high tuition fees and declining educational standards. Ultimately, these developments have had irreparable consequences for the future of education in our country.

5. Results and discussion

5.1. Actionable recommendations

High annual education fees can make parents sensitive to price changes. This is concerning because education is also considered a fundamental right. During periods of economic hardship, like sudden inflation, it’s understandable that the government would take steps to protect parents. However, these policies shouldn’t come at the expense of another crucial stakeholder—educators. The primary cost for educational institutions is labor. Regulations that restrict teacher wages and benefits, impacting their quality of life and purchasing power, ultimately demotivate them. This can have a detrimental effect on the entire education system, not just the parents. Interestingly, in Turkey, despite education fees experiencing a much smaller increase compared to car prices (around 3 times higher), car sales boomed (BloombergHt, 2024). This highlights a crucial distinction for parents—the investment in education versus a depreciating asset like a car. To mitigate the negative impacts of inflation on private education, policymakers should prioritize direct support for educators. These funds could be given directly to teachers to make sure funds are used just for teachers not for profit. In the Turkish case a support of a third of minimum wage which costs 400 million dollars per year could motivate teachers. Considering the government’s yearly spending of 400 billion dollars, the effect of the support on inflation will be insignificant. With the help of the support, private schools’ teachers’ salaries could approximate the levels in the public schools. Implementing a targeted wage subsidy for teachers in the private sector could help maintain salary levels, boost morale, and prevent mass exodus. Additionally, exploring options for tuition fee stabilization funds, where a portion of tuition fees is set aside in stable assets, could provide a buffer against inflationary pressures. This would allow for more gradual fee adjustments, reducing parental burden while safeguarding educational quality. Furthermore, governments can foster collaboration between private schools and public institutions through shared resources and professional development initiatives. By strengthening the entire education ecosystem, policymakers can ensure that all students benefit from a high-quality education, regardless of economic conditions.

5.2. Conclusions

This paper has explored the motivations behind the rising popularity of private schools in Turkey, revealing a complex interplay of factors including parental aspirations, socioeconomic disparities, and the pursuit of human capital development. While the focus on Turkey provides valuable insights, it is essential to consider the broader implications of these findings.

The Turkish context presents a unique combination of challenges, including a rapidly depreciating currency, a heavily regulated tuition fee system, and a relatively large private education sector. These factors have exacerbated the negative impact of inflation on private schools, leading to a decline in educational quality. While other countries may not experience these challenges to the same extent, the underlying issues of rising costs, teacher shortages, and the tension between affordability and quality are likely to resonate with many educational systems.

For instance, countries with similar economic structures or experiencing rapid inflation might encounter parallel challenges. Understanding the Turkish experience can serve as a cautionary tale for policymakers in these countries. Conversely, nations with more flexible tuition fee systems or stronger social safety nets for educators may exhibit different outcomes.

The findings of this study underscore the need for nuanced policy responses to address the challenges faced by private education during economic downturns. Alternative funding models, such as performance-based funding or public-private partnerships, could offer greater flexibility. Additionally, government support mechanisms for educators, such as wage subsidies or professional development programs, may help mitigate the negative impacts of inflation.

Striking a balance between affordability and quality is crucial for ensuring a thriving private education sector. Future research should explore the generalizability of these findings to other countries and investigate the effectiveness of different policy interventions in various contexts.

This study acknowledges the limitations of solely focusing on the mechanisms influencing private education. While the Turkish case offers valuable insights, further research is necessary to quantify the impact of inflation on student learning outcomes and human capital development. Future studies could examine metrics like standardized test scores, graduation rates, and student satisfaction surveys. Additionally, exploring changes in teacher turnover rates could provide valuable insights into the direct impact of inflation on educational quality. Long-term studies tracking the evolution of human capital in Turkey can illuminate the broader implications of these challenges for the nation’s economic development. By incorporating these elements, future research can build upon the present study and provide a more comprehensive understanding of the complex interplay between inflation and private education.

Conflict of interest: The author declares no conflict of interest.

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