

COVID-19 after effects: The impact of the increase in school fees on education businesses in Uganda

Executive Summary

The country-wide reopening of Ugandan schools in January 2022 happened against a backdrop of rising commodity prices which significantly affected various institutions, including schools. In the bid to cope with the rising commodities and credit prices, some private schools increased their fees at the beginning of third term. This impacted the enrollment, which in turn countered the objectives of raising school fees. Simultaneously, some schools were either financing an existing loan or needed credit, given the impact of the pandemic on the sector.

Furthermore, the government's directive of paying science teachers in government-aided schools a higher salary starting in July 2022 forced private schools to implement a similar policy as a way to retain their own science teachers. This has not only created tension between the two categories of teachers but also demotivated arts teachers, leading to staff attrition.

As such, the increase in school fees and the change in science teachers' salaries have turned out to be counter-productive. Therefore, we recommend that the salaries of art teachers be revised to remotivate them to continue teaching. Also, financial literacy of school owners on cheaper sources of capital, such as equity financing, is pertinent since the rising cost of credit partly explains the increase in school fees. There is also a need for a fast-track solution to the high inflation rate, especially on essential commodities, to control its trickle-down effects on other sectors.



Introduction

In January 2022, the government of Uganda reopened all education institutions after almost two years of Corona Virus Disease 2019 (COVID-19)-related closure. Unfortunately, the country-wide reopening of schools came when global inflation rose, with the cost of essentials such as fuel nearly doubling (between July 2021 and January 2022). The increase in fuel costs resulted into an increase in transport costs which in turn increased the prices of almost all goods and services. The general increase in commodity prices could partly be attributed to the COVID-19 pandemic and the effects of its containment measures (Sserunjogi et al., 2022).

Some private schools had loans before the outbreak of the pandemic. While some of these schools negotiated for loan rescheduling with their respective financial institutions, others continued financing their loans during the lockdowns. Additionally, some schools acquired new or top-up loans upon reopening at the beginning of the year (Kahunde et al., 2021). It is important to note that the uncertainty created by the pandemic made loan rescheduling and acquisition costly, as schools were considered to be in the high-risk category of clients by most financial institutions.

Because of the severe effects of inflation and the need to meet their loan obligations, some education institutions increased school fees at the beginning of the third term (September 2022). This has significantly affected the cost of education, making it less affordable to learners,

especially those from poor households. The increase in school fees is likely to add to the effects of the pandemic on the education sector, especially the reduction in student enrolment (Sunday et al., 2021). Given that the third term is a promotional term for the next grade, the fee increase in the third term could exacerbate grade repetition.

In addition, the government increased the salaries of science teachers in government-aided schools starting in July 2022, aiming to encourage science subjects uptake, given the role played by scientists in curbing the spread of COVID-19. In order to prevent the attrition of their science teachers, some private schools implemented the same policy. However, this policy change will probably have unintended consequences for the education sector. For instance, the salary discrepancies between arts and science teachers may create tension between the two categories of teachers and demotivate arts teachers, leading to increased attrition. Attrition could heighten the teacher deficit already experienced in the education sector, as evidenced by the high Student-Teacher Ratio (STR).

Therefore, this specific survey explores the implications of school fees increment on student enrolment, and its indirect impact on the schools' ability to meet expenses such as staff salaries. The study further examines the impact of the salary discrepancies between arts and science teachers as implemented by some schools.

Methods

This rapid survey randomly selected two private schools (one in an

urban and the other in a peri-urban area) from 22 districts from four regions (central, north, east and west). In total, 43 private schools, comprising 40 secondary, 2 primary and 1 tertiary institution, were interviewed. The survey covered the period before the beginning of the third term in 2022 and during the term. The data collection was undertaken in November 2022. The schools were interviewed using a structured questionnaire. The questionnaire sought to enlist information from the school heads regarding private schools' experience a year after the country-wide reopening of educational institutions, especially after some new directives. Specifically, the survey attempts to examine the impact of the hikes in school fees and the government's directive to raise the salaries of graduate and diploma (grade five) science teachers. The major indicators explored include; the proportion of surveyed schools that implemented the above changes, the changes in student enrollment as a result of the hikes in school fees, the changes in the number of staff resulting from the directive, the schools' reaction to the changes in enrollment, among others. In addition, the survey explored the effect of salary disparities on the morale of arts teachers whose remuneration was not revised.

The survey was conducted under the auspices of the COVID-19 Responses for Equity (CORE) initiative. As part of the CORE initiative, the Economic Policy Research Centre (EPRC) is implementing a project "Mitigating Socio-Economic Impacts of COVID-19 and Promoting Post-Pandemic Resilience in Uganda". The EPRC project focuses on micro, small and medium enterprises, and education, as an enterprise, is one of the four sectors of focus under this project. This partly justifies the focus on private schools. Since the pandemic's start, this is the fourth survey focusing on schools—with previous surveys held in February 2021, August 2021 and February 2022.

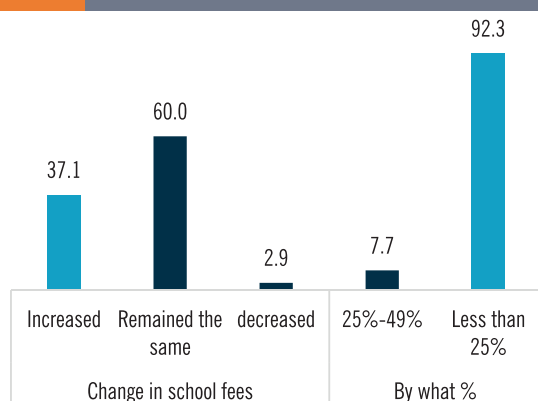
Findings

Impact of the hikes in school fees on student enrolment

The survey findings reveal that four in every ten schools reported an increase in fees at the beginning of the third term. This increase could be explained by the cost of living that has been on the rise since the beginning of the year, pushing the cost of various basics/essentials such as food and scholastic materials beyond the affordability of most of the schools. Schools increased the fees to cater to the rising expenses.

Findings further indicate that most of the schools that increased their charges in the third term did so by less than 25 percent of the fees charged in the previous two terms (Figure 1). This has implications for student enrollment, especially those from poor households. It is worth noting that the increase came at a time when households are still grappling with the after-effects of COVID-19 lockdowns that left many breadwinners jobless (Kansiime et al., 2021).

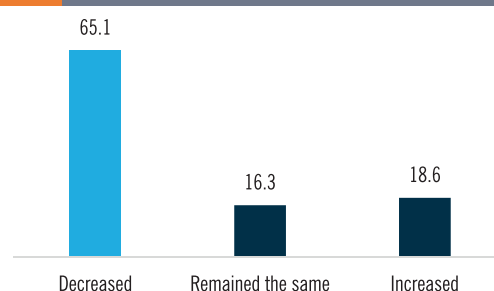
Figure 1 Changes in school fees,% of schools



Source: EPRC survey, November 2022

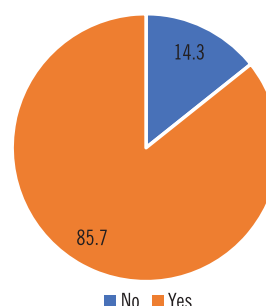
Indeed, the increase in the cost of education explains the subsequent reactions in student turn up for the third term in different schools. Figure 2 Panel (a) shows that among the schools that increased fees, most (about 65 percent) registered a decline in the number of students compared to the previous terms. While some students shifted to schools whose charges remained the same (Figure 2, panel b), others dropped out because of the costs involved with changing from one school to another. For example, the cost of a new uniform and other school requirements could be a deterrent to school change. The dropouts attributed to the hikes in school fees and the COVID-19 effects could impact Uganda's human development ranking. Uganda is currently ranked 166 out of 191 countries.¹

Figure 2 Panel (a) Changes in enrollment in the third term relative to the first and second term, % of schools



Source: EPRC survey, November 2022

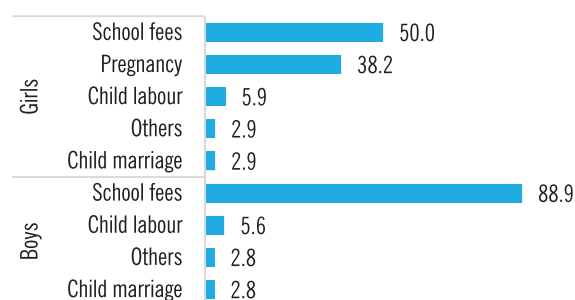
Panel (b) Percentage of schools that received new students from schools that hiked school fees



Source: EPRC survey, November 2022

Gender disaggregation further confirms that school fees were the main reason for the reduction in school enrolment for both girls (half of the respondents) and boys (almost 90 percent of the schools) (Figure 2, panel c). For the case of girls, the study suggests that teenage pregnancies (three in every ten schools) also explain their failure to return to school for the third term. This implies that the disproportionate effects of the COVID-19 lockdown on girls are still being experienced several months after the country-wide reopening of the economy.

Panel (c): Reasons for the low turn-up in the third term by gender, % of schools

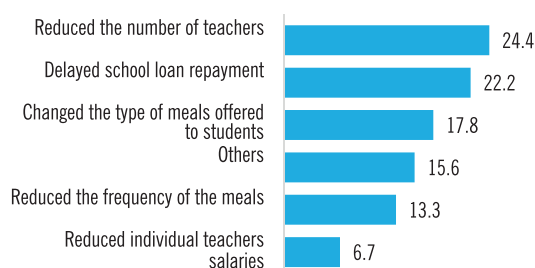


School's response to the low student turn-up

The reduction in the number of students in the third term affected schools in several ways. Figure 3 shows that most respondents (24 percent) laid off some teachers to cut costs. This is not surprising as most private schools mainly source their funds from students' school fees. As such, a reduction in enrollment implies a cutback in the ability of the schools to meet their costs of operation, such as staff salaries. This could exacerbate the teacher- deficit caused by the pandemic as they venture into other businesses (Kahunde et al., 2022).

Additionally, the reduction in school finances due to the drop in enrollment resulted in a delay in meeting their loan obligations. This has adverse implications on the cost of the loans and the survival of the schools that had loans before the beginning of the term.

Figure 3 How schools responded to the reduction in enrollment

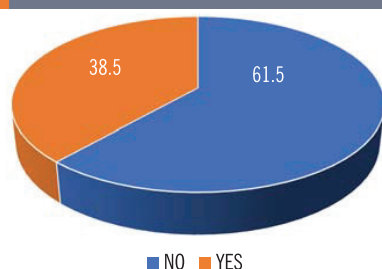


The impact of salary disparities

The outbreak of the COVID-19 pandemic brought to light the contribution of scientists in stopping its spread. Additionally, sciences are seen as a solution to the increasing youth unemployment as they promote innovation.² As a result, the government committed to increasing the salaries of all scientists, including science teachers, from July 2022. Implementing the directive to pay science teachers in government-aided schools was seen as a pull factor for science teachers in private schools whose salaries were below the new pay. Consequently, some private schools followed suit to retain that staff category.

Indeed, the survey indicated that four in every ten of the surveyed schools implemented the directive (Figure 4). Of those that were able to increase the salaries of the science teachers, 70 percent reported increasing salaries by less than 25 percent and the rest (30 percent) increased salaries in the range of 25 to 49 percent. However, the majority continued paying the same salaries, implying that most private schools could have already been paying science teachers higher salaries than the recommended pay in the directive. Additionally, most private schools' failure to revise salaries could be attributed to the financial constraints resulting from the low student turn-up highlighted above (See Figure 2, panel a). Perhaps, the government needs to provide financial support to these schools by negotiating with financial institutions to provide friendly loans targeted to schools to increase their chances of survival.

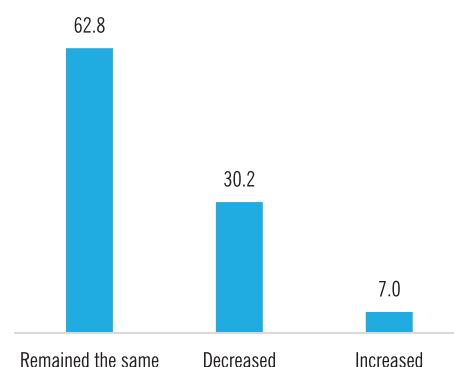
Figure 4 Percentage of schools that implemented the government directive of paying science teachers higher salaries



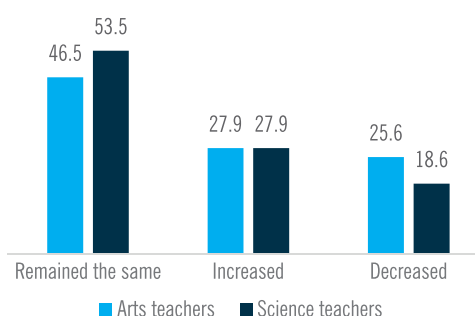
The salary discrepancies implemented by some of the schools led to a change in the composition of their teaching staff as salaries of art teachers were not revised. The study revealed that three in every ten schools that increased the salaries of science teachers reported a decline in the number of teachers (Figure 5 panel a). Worth noting is that a higher percentage of them (26 percent) reported a decline in arts teachers compared to science teachers (19 %) (Figure 5 panel b). This explains the effects of the directive on staff attrition.

Figure 5 Changes in staffing due to salary disparities

Panel (a). Overall changes in teaching staff (% of schools)



Panel (b): Changes in teaching staff-arts vs science teachers

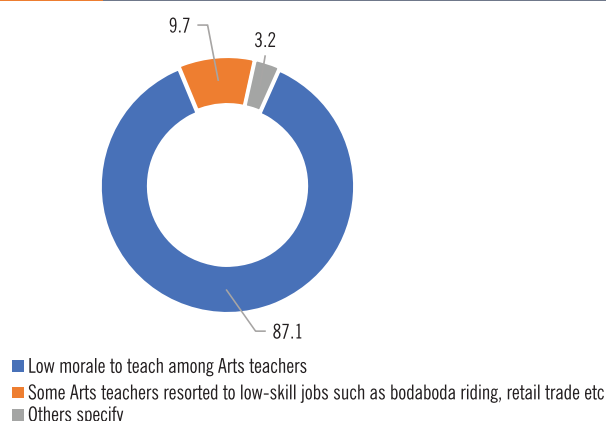


After-effects of the government's directive of paying higher salaries to science teachers

The salary differences between arts and science teachers have negative implications for the quality of education outcomes, especially for students offering arts subjects. Figure 6 shows that 87.1 percent of the surveyed schools reported a decline in morale among arts teachers. The morale reduction could result in a reduction in the amount of time allocated to teaching and the quality of materials offered in class.

Notably, 9.7 percent of the schools reported that arts teachers resorted to low-skill jobs such as boda-boda riding, retail trade, etc., either as part-time or full-time jobs. This is in addition to the reduction in teaching staff reported as a result of the pandemic (Kahunde et al, 2022). This has implications on the teaching burden imposed on those arts teachers who chose to stay and teach. The high STR in most of the schools could lead to teacher burn-out. The government will need to invest more resources not only in training and hiring more arts teachers, but also retain the remaining ones. As such, a policy change to increase salaries of arts teachers may become attractive.

Figure 6 The effect of the government directive of paying higher salaries to science teachers



Conclusion and recommendations

The school fees increment by schools and the government directive may both turn out to be counter-productive. On the one hand, the increase in school fees rises the cost of education, making it less affordable to many learners, thus resulting in a decline in enrollment which greatly affects the financial muscle of many private schools.

On the other hand, the salary differences between arts and science teachers resulting from the government directive could result in a reduction in the quality of learning outcomes of arts students and a teacher crisis. This implies that the government will need to spend more resources on either training more arts teachers or maintaining the remaining few, which may become costly in the end.

Based on the findings of this report, we recommend that;

A fast-track solution to the general increase in commodity prices should be sought to control its trickle-down effects on different sectors. Furthermore, private school owners should be provided with financial literacy on other sources of financing, such as equity financing, which are way cheaper than expensive loans. The Salaries of arts teachers should also be reviewed.

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ENDNOTES

- 1 <https://www.undp.org/uganda/press-releases/uganda-launch-2021/2022-human-development-report>
- 2 <https://www.monitor.co.ug/uganda/news/national/sciences-will-solve-youth-joblessness-says-minister-3979818>

The Economic Policy Research Centre (EPRC) has been producing the Business Climate Index (BCI) for Uganda since June 2012. The BCI reflects the perceptions of Ugandan business managers on the current and near-future (expected three months ahead) business conditions. The BCI is a perceptions indicator of economic activity and the general business environment in which businesses operate. BCI aims to forecast turning points in economic activity and thus provide critical information for policymakers both in Government and the Private Sector.

About EPRC

The Economic Policy Research Centre (EPRC) is an autonomous not-for-profit organization established in 1993 with a mission to foster sustainable growth and development in Uganda through advancement of research – based knowledge and policy analysis.

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