

## **A Literature Review of Human Capital and Educational Policies in Peru Educational System**

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**Abstract:** The article's main contribution to the literature on Peruvian education lies in its examination of the country's education policies. It compares relevant economic indicators of Peru with those of Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Honduras, Mexico, Nicaragua, Panama, El Salvador, Uruguay, and Venezuela. Since few studies have analyzed Peru's educational policies in relation to these countries, this paper is both unique and valuable to economists, educators, and Peru's economic development sector. Supporting empirical and literature-based evidence can be found in (Osiobe, 2019; 2020a; 2020b; 2020c). This is not a self-citation but an empirical and theoretical validation of the recommendations presented. Therefore, the study is an informative project. Future research should focus more specifically on Peru's economy and the link between *HC* and economic growth to better understand the country.

**JFL Classification**

E10, I21, I24, I25, I28, O11, O12, O15

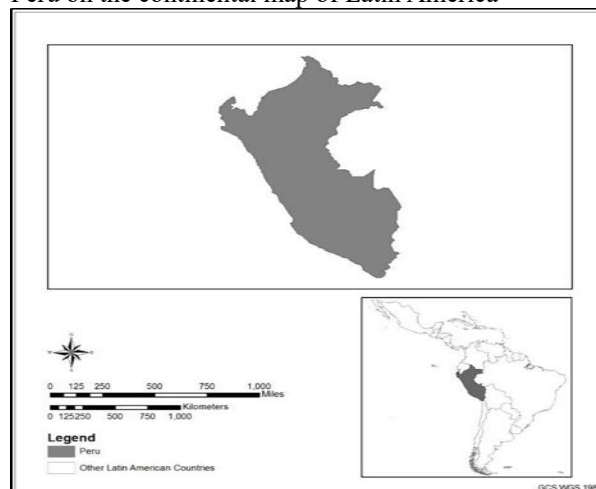
**Keywords:** Education, Human capital, Growth

### **I. Introduction:**

Peru is situated in western South America, sharing borders with Lake Titicaca, the South Pacific Ocean, and Colombia, Brazil, Bolivia, Chile, and Ecuador (Google Earth (GE), 2019). It is the 19th largest country in the world and the third largest in South America (GE, 2019). With a population of 31.9 million in 2018, Peru ranks 43rd globally (World Development Index (WDI), 2019). The name "Peru" originates from a Quechua word meaning "abundant land." Its economy has historically relied on minerals, agriculture, and marine resources, and by the late 20th century, tourism emerged as a key sector. According to the Global Competitive Index (GCI), Peru is ranked 63rd out of 140 countries (Schwab, 2018). In the 2018 Environmental Performance Index (EPI), Peru ranked 64th worldwide and 6th in Latin America (Yale Center for Environmental Law & Policy (YCELP), 2018).

**Figure 1:**

Peru on the continental map of Latin America



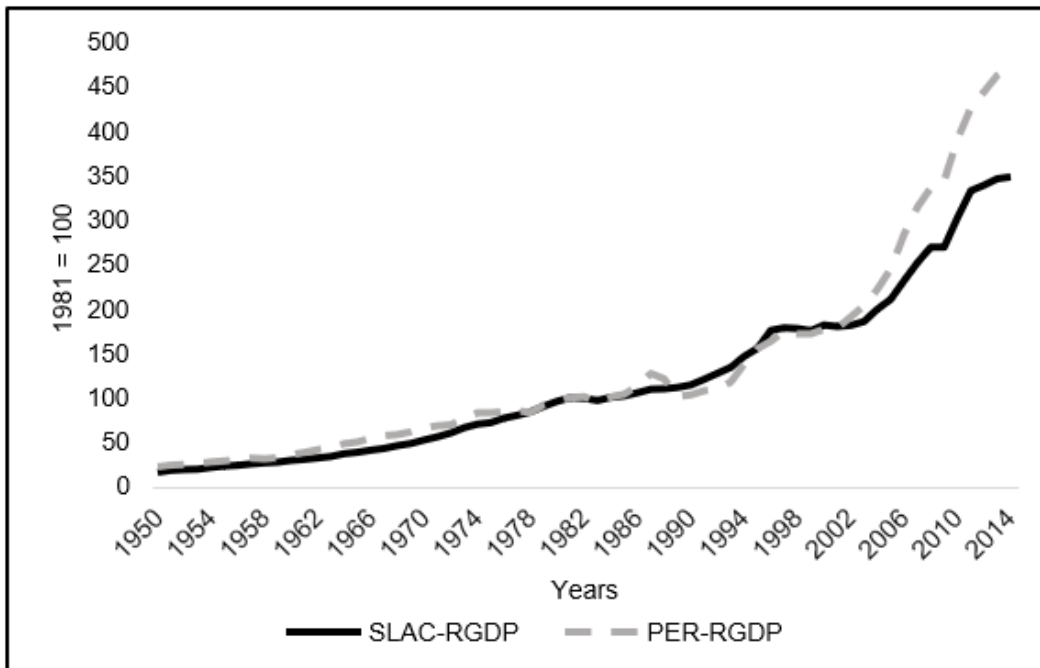
Author's creation (GE, 2019).

\*Gray specific country of interest

Peru is currently a less-developed country with an economy reliant on exporting raw materials to the global market. It is among the world's top producers of bismuth, silver, copper, and fish. For decades, the government has attempted to modernize the economy by promoting nontraditional exports and supporting local businesses to meet residents' needs. Despite these efforts, significant social and economic challenges remain. The country faces natural disasters such as landslides, earthquakes, and El Niño events, which have devastated its agriculture and transportation sectors. These disasters have hindered the agriculture industry's ability to support the growing population, leading to food shortages and increased prices for imported foods. This situation complicates the government's efforts to address farming industry issues. The study compares Peru with other Latin America and Caribbean countries—namely Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Honduras, Mexico, Nicaragua, Panama, El Salvador, Uruguay, and Venezuela—excluding Peru itself.

**Figure 2:**

A comparison of our SLAC *RGDP<sub>ppp</sub>* at chained (in Mil. 2011 USD (average)) with that of Peru (1950 – 2014) 1981 = 100



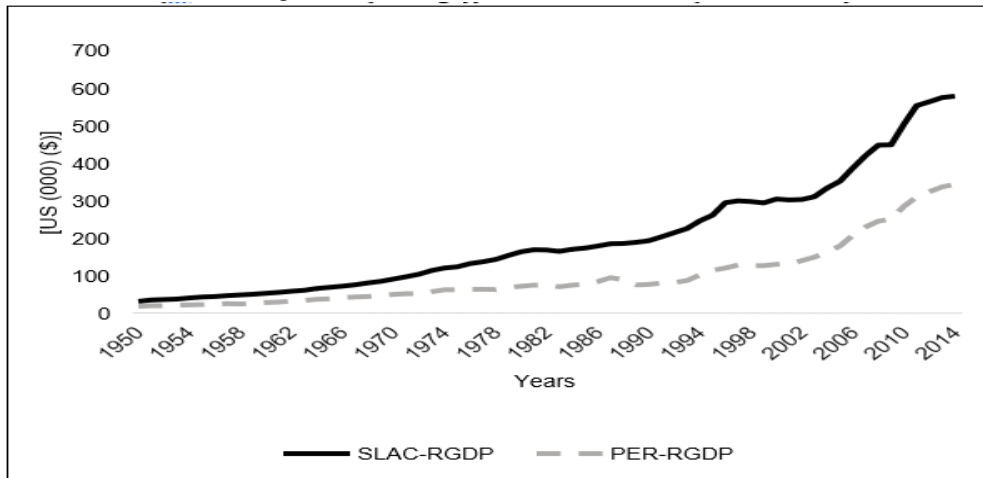
Source: (Penn World Tables (PWT), 2019).

Author's creation

Figure 2 illustrates Peru's Real Gross Domestic Product Purchasing Power Parity (*RGDP<sub>ppp</sub>*) index, with 1981 set at 100, covering the years 1950 to 2014 in comparison to our SLAC. The graph shows Peru tracking our benchmark moving average from 1950 until 2001 and then exceeding it from 2002 to 2014. This suggests that, when expressed as an index with 1981 as the baseline year, the data in Figure 3 demonstrate changes in the *RGDP<sub>ppp</sub>* value, indicating economic growth. However, the country's nationalization resulted in heightened socio-economic challenges, including high unemployment, increased inflation, a large trade deficit, significant government debt, and tense relations with trade partners.

In the 21st century, Peru's rapid economic growth was driven by shifting from a government-controlled economy to a more capitalist, private system. The country's educational system has faced challenges due to a steady rise in the young population. Increased government expenditure on compulsory education for children aged 6–15 has placed a significant strain on the national budget. Although law mandates compulsory education, enforcement remains difficult, especially outside central business districts. Public schools struggle with large class sizes, unqualified teachers, and inadequate facilities, resulting in low-quality education for children. Consequently, middle- and upper-class families tend to send their children to private schools to ensure a better education.

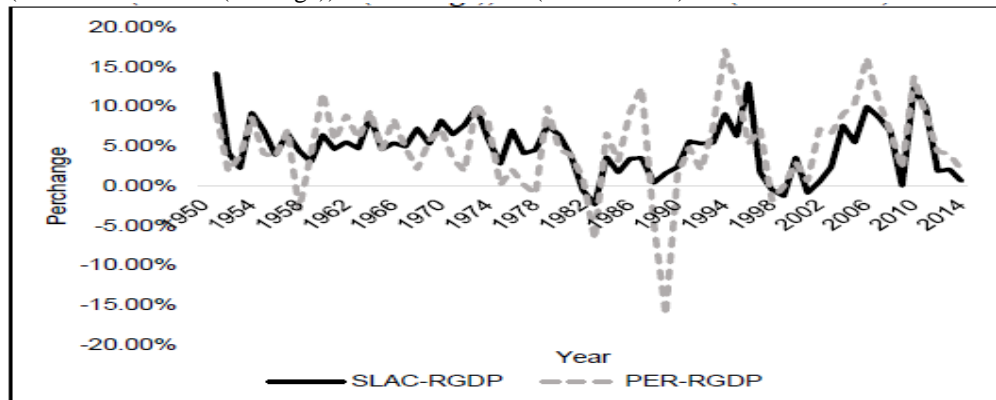
**Figure 3:**  
A comparison of our SLAC  $RGDP_{ppp}$  at chained  
(in Mil. 2011 USD (average)) with that of Peru (1950 – 2014)



Source: (PWT, 2019).  
Author's creation

Figure 3 shows Peru's actual  $RGDP_{ppp}$  figures alongside our SLAC moving average from 1950 to 2014. It indicates that Peru slightly underperformed relative to the benchmark average during this period. After facing hyperinflation and political upheaval in the 1980s and 1990s, the country has experienced significant economic growth in recent decades and has become a major tourist destination. Moreover, following the revolution, the educational system has seen notable changes, as reflected by the increasing number of students studying abroad for both short-term and long-term programs. Currently, there are more US students in Peru than Peruvian students in US universities. Despite these improvements, Peru still faces challenges in ensuring equal educational opportunities for all citizens. In 1996, the government passed the educación básica law, reforming the system to provide free and compulsory primary education for children aged 5–16. This law encompasses the general curriculum and technical education. However, the second stage of compulsory education remains somewhat aspirational, with approximately 25% of the secondary school-aged population not enrolled in upper secondary education, according to UNESCO in 2019. This issue is especially prevalent in rural areas. Although public education is free, private schools operate at all levels, and both public and private institutions follow the national curriculum set by the federal government.

**Figure 4:**  
A comparison of our SLAC % change of  $RGDP_{ppp}$  at chained  
(in Mil. 2011 USD (Average)) with that of Peru (1951 – 2014)

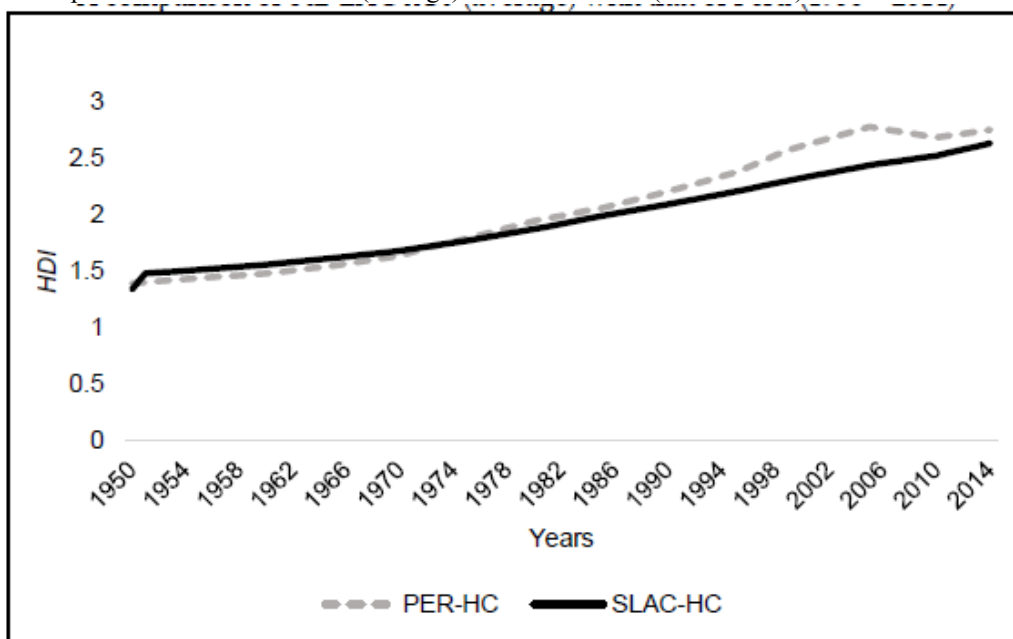


Source: (PWT, 2019).  
Author's creation

Figure 4 illustrates Peru's economic volatility in comparison to our SLAC benchmark. It shows Peru roughly aligned with the moving average, with notable spikes from 1986–1989, 1990–1993, and 1994–1996. The Peru Ministry of Education (ME) governs educational policies, legislation, and curriculum standards, overseeing everything from preschool to higher education. Meanwhile, local education authorities in the 25 states manage and implement these policies at the primary and secondary levels. In 2015, the Peru Superintendencia Nacional de Educación Superior Universitaria (SUNEDU), or the National Superintendence of University Higher Education, was established to replace the Asamblea Nacional de Los Rectores (ANR). This new agency aims to enhance educational quality across all levels, conducts quality assurance, and approves licenses for new public and private universities. Additionally, SUNEDU is responsible for setting higher education policies under ME's guidance.

**Figure 5:**

A comparison of our LAC HDI (average) with that of Peru (1950 – 2014)



Source: (PWT, 2019).

Author's creation

Figure 5 illustrates Peru's Human Development Index (HDI) compared to the SLAC moving average from 1950 to 2014. Figure 60 shows Peru slightly underperforming the benchmark moving average from 1950 to 1974 and marginally surpassing it from 1975 to 2014, or appearing roughly on par over the entire period. The HDI trend indicates a steady increase, with the growth pattern closely mirroring that of the actual HDI. This suggests that Peru's HDI growth aligns with the country's literacy rate, reflecting comparable progress with the SLAC average.

**Summary:**

***Education Policy Orientation Main Findings:***

- Essential education that is free and mandatory for all residents in the country.
- Public education is provided free of charge nationwide.
- The country also offers specialized education services for its students.

***Policies that Moved the Country Forward:***

- In 1996, the Peruvian government enacted an education reform law that made basic education free and compulsory for all residents aged 5–16. The program was known as *educacion basica y tecnico productiva*.

- The country has a mandatory education policy enacted in 2008 to ensure that both private and public schools adhere to the national curriculum.
- The Ministry of Education oversees all levels of education nationwide.

***Policies Implication and Recommendation:***

The Peruvian education system is among the top in South America, providing education to residents from early childhood through university.

- While the Peruvian government has made progress in closing education access gaps, the overall performance of its educational system remains problematic. It is advisable to implement additional student support initiatives within schools, with a particular focus on rural students.
- Teachers, teacher training, teaching methodology, and incentives remain barriers to Peru's education system. Improving these areas is recommended.

***Contribution to Peru's Literature on Human Capital and Economic Growth:***

This study adds to the literature on Human Capital (*HC*) and its role in economic growth and development. It emphasizes key educational policies enacted by the Peruvian government and examines their impact on the *HDI* level of Peru's economy. Prior research on Peru's economy includes works by Keefer et al. (1998), Burns (1999), Babb (1989), Padoch (1988), Orlove (1977), Wilson (2004), and Ibarra et al. (2000). The theoretical understanding of the link between *HC* and economic growth in Peru has been explored by Fitzgerald (1976), Chicoine (2011), Painter (1991), Zenon (2000), Leon (2014), Urrunaga & Aparicio (2012), Vinod & Kaushik (2007), Falaris (1979), Klein (2011), Escobal (2001), Attanasio et al. (2017), Urrutia & Paz (2015), Escobal & Torero (2005), Raju & Fitzpatrick (2010), Charles & Zegarra (2014), Qadri & Waheed (2013), Saavedra & Chong (1999), and Behrman et al. (2017). Generally, the theoretical models suggest that knowledge within humans is vital for innovation, productivity, and economic growth, though some studies (Bils & Klenow, 2000; Levine & Renelt, 1992; Temple, 1999) found the relationship to be inconsistent.

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