

EVALUESERVE

Sector Intelligence: Impact of COVID-19

Education and Training

7 May 2020



Education on Standby (Almost)

Is overnight digital transformation possible?

» **Bad News:** As of early May, school and university closures have impacted more than 70% of the global student population (over 1.3 billion learners). The education sector (both public and private) has faced the largest disruption in recent history. In the short term, school closures have resulted in a massive loss of learning time for students, employment uncertainty for teachers, financial distress for many industry players, and a serious injury for the global economy.

» **Worse News:** Temporary school and university closures are not the only obstacles for the education and training industry at this moment. The inevitable economic downturn has put a massive pressure on education budgets. Market players are struggling to align their strategy to minimize losses and stay on a growth path – a particularly difficult task considering that the overall implications of the pandemic on learners, teachers, the workforce market, and education delivery models are still unknown.

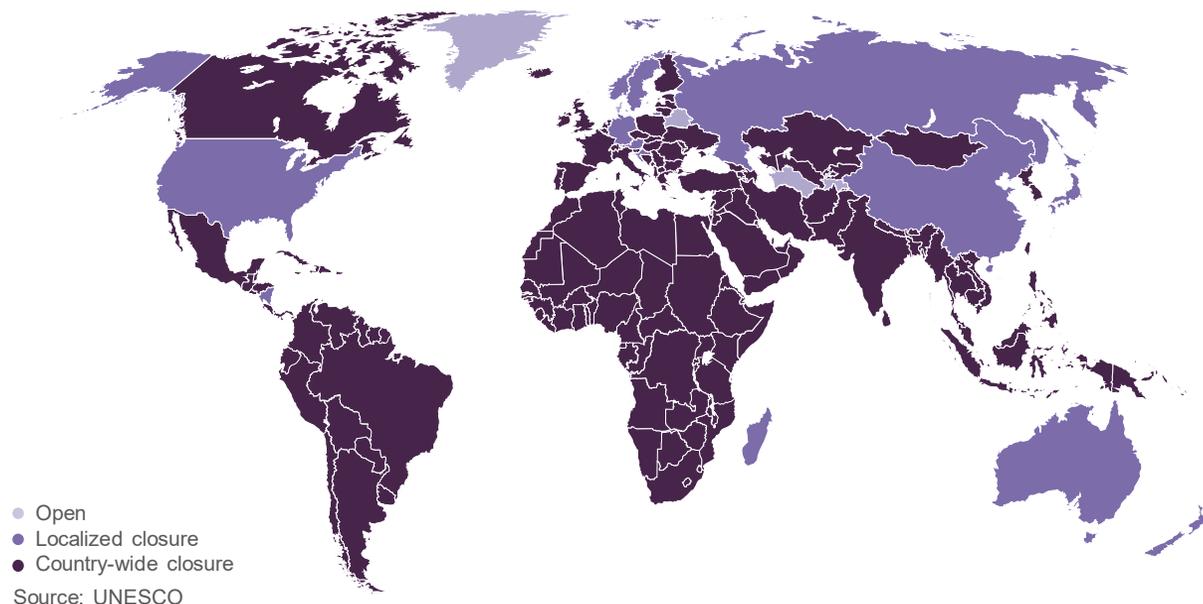
» **Good News:** In the long term, the COVID-19 pandemic is likely to have an abiding impact on the way we perceive and deliver educational content. Online education is not a new trend. However, school and university closures across the globe have put education technology (edtech) in the spotlight. Digital learning platforms have witnessed a massive demand surge in the last few weeks. Not all online learning tools will stick in the long term. However, educational institutions will have more courage to build hybrid models that combine online and offline delivery.

» **Our report** attempts to provide a brief analysis of the consequences of the COVID-19 outbreak on the global education and training sector. It focuses on:

- Global impact on K-12, higher education, adult education & training, and edtech subsectors
- Key near-term risks and opportunities for industry players
- Long-term industry outlook

Sources: UNESCO, UN, Financial Times, Evalueserve Analysis

School closures caused by COVID-19 (as of May 4, 2020)



1.3bn
learners affected by school closures

40%
learners do not have Internet access at home

63m
primary and secondary teachers affected

1–2%
GDP decrease caused by absenteeism of working parents due to school closures



Situation Across Regions

Critical updates at a glance

North America



- **US:** The majority of US states have announced that they would keep K-12 facilities closed for the rest of the school year, and potentially even longer. Scenarios for higher education institutions show that the US could resume face-to-face instructions earliest by fall 2020 and latest by fall 2021. All major international examinations – Cambridge International and International Baccalaureate (IB) – required for university entry have been suspended. The government issued an emergency pack to aid both higher education institutions and students and partially mitigate the damages (value of approximately USD 14bn). The next stimulus packages to aid state governments are expected soon.
- **Canada:** Quebec is the only province to have announced school reopening in the second part of May. The education industry (especially higher education) has initiated discussions with decision makers to solicit financial support for the sector.

EMEA



- **Europe:** Recently, some schools opened across Denmark and Norway and a few others are expected to follow suit (e.g., in Germany, France, and Norway). More cautious countries (e.g., Italy, Spain, and Romania) have announced that their schools will remain closed for the rest of the school year, or at least until June (UK). Some countries have already announced intentions to relax visa requirements to aid international student mobility and speed up the recovery of the higher education sector.
- **Middle East:** Israel and Iran have gradually started reopening schools. The UAE has announced that it would open schools in September. Starting May, both public and private schools in the UAE will undergo Distance Learning Evaluation, in an effort to assess the quality of online learning implemented in early March.
- **Africa:** The region's underdeveloped infrastructure leads to higher disruption than in developed regions. The consequences could be similar to the Ebola outbreak in 2014–15, when disrupted education resulted in high drop-out rates as well as a rise in teen pregnancies.

APAC



- **Schools in APAC to reopen:** China, Japan, Vietnam, and New Zealand have started reopening schools. South Korea and Singapore have also announced plans to reopen facilities later in May. Australia released an emergency package for higher education (value of AUD 18bn) focusing on domestic students. This will aid upskilling programs, waive regulatory and loan fees.
- **Rapid responsiveness:** Countries in East Asia have shown greater resilience during repeated crises. They have switched to online learning relatively more easily than other regions. A positive example is the Chinese government, which has invested heavily in setting up the infrastructure (online tools, mobile apps, TV broadcasts) necessary for remote education.
- **Strength of edtech:** Asia is the largest market for edtech investment (China alone accounts for over 50% of edtech VC funding). Edtech adoption is relatively higher in China, Indonesia, and India, where the population is spread out geographically and public education systems suffer from scarcity of good quality teachers.



Analyst Note

As of 4 May, 12 countries had reopened schools, 52 had announced plans to reopen them during the current academic year, and 7 had announced plans to reopen them in the next academic year. The remaining countries (128) have not announced any school reopening date. During the lockdown, the governments of a majority of countries have focused on deploying distance learning strategies that would work for both students with and without internet connectivity. Some of the prominent solutions across countries include online learning, take-home packets of reading and writing assignments, lessons broadcast over radio or television and through texting. East Asian countries are the frontrunners at expediting remote learning swiftly, as a response to the crisis resulting from the pandemic.



Industry Risk

Near-term risk outlook, risk assessment, and mitigation

	Level of Risk and Opportunity		 Potential Disruptions	 Risk Assessment	 Risk Mitigation
	Near-term Risk	Long-term Outlook			
 K-12 Education	Moderate	Slightly Negative	Limited use of digital tools causing social inequity	<ul style="list-style-type: none"> Quality decline due to limited access to edtech platforms Pressure on private providers due to contracting economy and reduced purchasing power Competition from alternative educational models (homeschooling, private tutoring, etc.) 	<ul style="list-style-type: none"> Ensure equal access to digital tools Partner with education providers, edtech firms, and associations to stay on top of digital trends
 Higher Education	High	Negative	Revenue loss from tuition fees and auxiliary revenues (room, grants, etc.)	<ul style="list-style-type: none"> Financial pressure due to uncertainty around both public and private financing Reduced inflow of international students 	<ul style="list-style-type: none"> Prioritize digital transformation and ensure global reach to offset the impact on (international) student mobility Offer hybrid educational packages (campus + online) Identify new revenue streams and acquisition opportunities
 Adult Education & Training	Moderate	Slightly Negative	Funding halted	<ul style="list-style-type: none"> High cancellation due to budget cuts Learning discontinuity for socially vulnerable groups (digitally illiterate) Inability to conduct practical examinations 	<ul style="list-style-type: none"> Identify opportunities for re- and up-skilling in the post-COVID world Embrace digital delivery quickly
 Edtech	Low	Positive	Adoption challenges caused by overnight implementation of edtech platforms	<ul style="list-style-type: none"> Shortage of high-quality content to address different learning needs and knowledge levels Insufficient infrastructure (for both providers and learners) to match demand surge Pressure on pricing due to increased competition 	<ul style="list-style-type: none"> Focus on service quality to convert current trial users into paying customers Tighten collaboration with educators to ensure sufficient content supply



K-12 and Higher Education

Sector implications

K-12 Education

Online tutoring and e-learning have filled the gap for families who can afford these solutions. Nevertheless, the private sector is under threat. Historically, economic downturns have not been kind to the private education sector, e.g., private school enrolment in the US recorded a 17% slump during 2001–11.

Challenges for K-12 players

- **Collaboration:** As many learners, parents, teachers, and education providers navigate through these uncertain times, the importance of close collaboration and partnerships will increase. Schools are preparing consistent learning strategies with multi-modal applicability adapted to different age groups, curricula, and students' connectivity conditions. These discussions are expected to attract public-private partnerships and alliances with edtech firms.
- **Digitalization:** The current lockdown will open the floor for innovative learning platforms and new methodologies (e.g., gamified learning). The new trends are likely to come from Asia. The Chinese Ministry of Education has already assembled a group of diverse constituents to develop a new cloud-based, online learning, and broadcasting platform, as well as to upgrade a suite of education infrastructure.
- **Alternative models:** Many mid/upper class parents have started considering private tutoring to ensure that their children are not left behind during the lockdown. Homeschooling population is also expected to increase significantly, e.g., in the US, the share of homeschooling might double from the current 3% in the next few years.
- **Data use:** Providers and policymakers will need to gather data to map out connectivity and learning requirements for each learner. For example, the Central African Republic used a mobile-based data-collection system, EduTrac, during public unrest to collect data on multiple parameters, including school conditions and student attendance.

Higher Education

Higher education is facing major disruptions induced by international mobility blockage and social distancing measures. Providers not only need to ensure business continuity in the short run but also make operational changes for the next academic years.

Challenges for higher education institutions

- **Financial uncertainty:** Private higher education institutions, which are more dependent on tuition fees as compared with public players, are expected to face financial stress. Due to the sharp economic slowdown, students will be more likely to choose local and less expensive public schools or community colleges. Higher education institutions will be more motivated to look for new revenue streams, e.g., strengthening their knowledge transfer (KT) offering.
- **New international student mobility patterns:** As we witness decreased student mobility, colleges and universities dependent on international enrolments will need to change their strategy and focus more on local markets. According to a report by QS Enrolment Solutions, prospective Asian students may increasingly look toward intra-regional universities for tertiary studies. This will be a serious challenge for universities focusing on students from China (e.g., Australia, Canada, and the US).
- **Market consolidation:** As the number of institutions missing their revenue and enrolment targets increases, we might witness growing M&A activity. Universities are likely to look for acquisitions to achieve economies of scale and tap into new markets.
- **New offer:** Higher education will need to react quicker to changes happening in the labor markets, e.g., the financial sector might soon require less bankers and more restructuring experts. Similarly, universities will have to find ways to retain and attract students who are now restricted from traveling. Offering virtual tours to prospects and adapting the content to online teaching to match the quality of in-class offerings will require investment in instructional designers, learning management systems, etc.



Analyst Note

Access to online education is not equal, and inequalities are expected to be exacerbated. Policymakers across the globe are trying to find creative ways to combat exclusion (e.g., installing mobile hotspots, delivering educational content by post). However, the knowledge gap between wealthy and poor children is likely to widen.