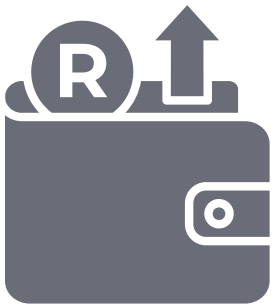


Spending and Budget Trends in the South African Post-School Education and Training Sector

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INTRODUCTION

As retirements from an ageing teacher workforce increase, an expansion of Early Childhood Care and Education (ECCE) and an influx of new teachers can rejuvenate the South African school sector. To make this a reality will, however, require that our Post-School Education and Training (PSET) institutions continue to produce well-trained teachers and ECCE practitioners, and that early learning programmes (ELPs) and provinces can employ staff.

However, ELPs are struggling financially due to a declining real government subsidy, and provinces have not absorbed the growing number of qualified teachers in recent years. Moreover, PSETs are seeing cuts in operational spending as funding has shifted to the National Student Financial Aid Scheme (NSFAS).

Ongoing fiscal consolidation threatens to worsen these challenges. The so-called “post-COVID austerity”, has already seen a 7.6% reduction in core government spending and the 2024 budget envisages a further 3.5% cut, a total cut of more than R3 000 per South African.¹ These education fiscal briefs aim to provide insights into the current funding landscape and key drivers and pressures facing PSET, Basic Education (BE) and ECCE.

In developing a common understanding of the strategic challenges, the notes seek to support the development of approaches that will ensure continued education transformation in a time of fiscal pressure. The work is part of the three-year (2022–2024) **Teacher Demographic Dividend** research project which investigates ongoing teacher demographic changes and supports the development of policy responses.

FALTERING ENROLMENT AND ACCESS

South Africa in 2022 enrolled just over two million students in post-school education and training (PSET), excluding learners in the skills system². This compares to a population of post-school age (those aged 18 to 22) of just under five million³. Reported enrolment in 2022 was 13% below peak enrolments of 2.3 million in 2017.

Enrolments in public universities expanded by 9% between 2015 and 2022 to just under 1.1 million students and in private universities by 85% over the same period, from 130 000 to 242 000 students. Enrolment dropped significantly in Technical and Vocational Colleges (by 30% to 519 000 students) and in Community Education and Training Colleges (by 54%). Data coverage of private colleges seems to have fallen, making recently reported numbers for that segment misleading.

Enrolments are still substantially below targets in the 2013 White Paper on PSET. The White Paper envisaged, by 2030, headcounts of 1.6 million in public universities, 2.5 million in TVET colleges, 1 million in Community Colleges and 0.5 million in private universities and colleges.

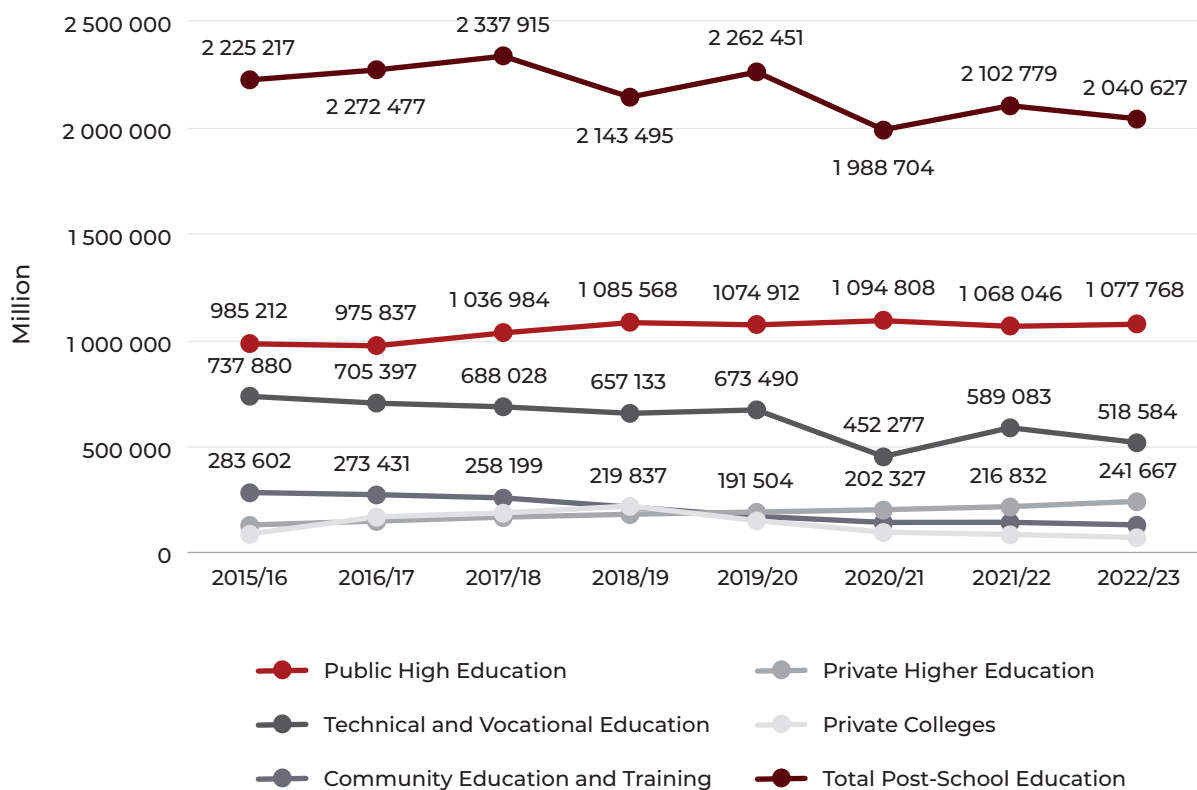


Figure 1 Trends in South Africa's PSET Enrolment, excluding the Skills System (million)

Source: Calculations from DHET (various years), Statistics on Post-School Education and Training in South Africa⁴.

The decline in overall enrolment is a concern given that the demand for post-school education is continuing to rise, driven by high private returns to investment in post-school education, relatively low coverage of the population, a growing number of matriculants qualifying for access to tertiary education and the expected continued moderate growth in the size of the 18–22-year-old population. In addition, the relative trend between university and TVET college enrolments is not in line with policy intentions.

After the democratic transformation in 1994, South Africa failed to expand higher levels of PSET, normally referred to as tertiary education⁵, as rapidly as countries of similar income status and South Africa lags in terms of its tertiary gross enrolment rate (GER). In 2023 the DHET reported a South African GER for tertiary education of 27.2% for 2020, compared to 29.4% in India, 42.6% in Malaysia and 58.4% in China⁶. Thus, despite expansion and transformation, a significant challenge lies ahead in expanding PSET opportunities.

In addition to the challenge of numbers, the South African PSET system also faces a quality challenge. While access has grown and became more equitable⁷, student success needs to be improved. Scott⁸ pointed out in 2018 that in contact institutions, less than 30% of graduates graduate in regulation time, less than two-thirds in six years and one-third had not graduated after 10 years. He also pointed out that there had been little improvement between the 2006 and 2011 cohort.

SOURCES OF UNIVERSITY FUNDING (2021/22)



41%

GOVERNMENT FUNDING



34%

STUDENT FEES



25%

THIRD-STREAM INCOME

MULTI-STREAM FUNDING

There are three main streams of funding for PSET, excluding skills funding. Firstly, national government funds educational institutions directly and funds low-income students, providing bursaries that subsidize their university fees, other study costs and living costs, including accommodation. Secondly, households and students which are not subsidized, or not fully subsidized, contribute through the payment of study fees and through living expenses. Recipients of NSFAS bursaries have increased from about 218 000 university and TVET students in 2015 to 786 000 in 2023/24. Thirdly, education institutions receive “third-stream” income through donations and funded research flowing from research funding organisations such as the National Research Foundation and the corporate and voluntary sector. Currently there is little systematic, public information available about household spending on PSET and on third-stream income. For the 2021/22 fiscal year it was estimated that in total state subsidies to institutions contributed 41% to university funding, student fees 34% and third-stream income 25%.⁹ These proportions differ significantly between different universities. In the case of TVET colleges, there is a much greater reliance on tax-funded state financing.

INCREASED AND SHIFTING COMPOSITION OF GOVERNMENT FUNDING

In 2023/24 the government spent an estimated R107.5 billion on post-school education, excluding skills system spending. This amounts to 4.7% of total government expenditure and 1.5% of GDP. Between 2015/16 and 2022/23 *real* spending on PSET nearly doubled and PSET spending increased rapidly from 15% to 24% of total education spending. From 2023/24, real spending on PSET, however, started declining and Medium-Term Expenditure Framework (MTEF) projections are that by 2026/27 it will be only very slightly above levels in 2019/20.

The rapid expansion of real PSET spending until 2022/23 did not relieve funding pressures in the sector. This is because the bulk of the increase in spending flowed as bursaries through the NSFAS to subsidise study fees and living costs of lower income students. As shown in Figure 2, spending on the NSFAS increased in real terms from R10 billion in 2015/2016 to R51 billion in 2022/23, to exceed for the first time the direct funding of universities. Both the direct state funding of universities and the funding of TVET colleges have been declining in real terms since 2020/21. Over the MTEF (2024/25 to 2026/27) university funding is projected to remain below estimated expenditure in 2023/24 while TVET funding is projected to increase marginally.

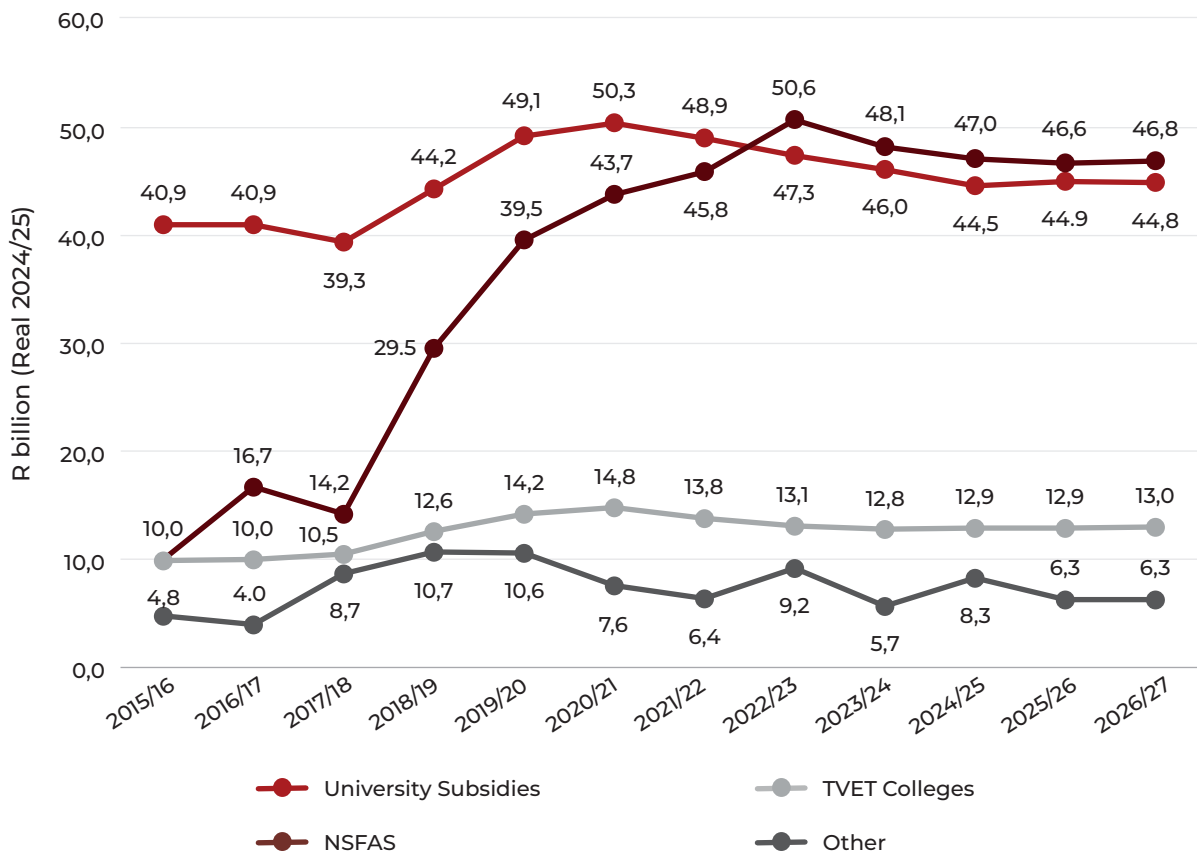


Figure 2 Composition of PSET Spending 2015/16 to 2026/27, excluding Skills Funding (real R billion)

Source: Calculations from National Treasury (2024), Estimates of National Expenditure pivot (<https://www.treasury.gov.za/documents/national%20budget/2024/excelFormat.aspx>). Values for 2024/25 to 2026/27 are budgeted amounts (for 2024/25) and MTEF estimates (for 2025/26 and 2026/27). Declining real budgets per student and sector threats

In the two largest components of PSET, universities and TVET colleges, real per student state spending, excluding NSFAS, increased substantially between 2015/16 and 2020/21, by about 13% in the case of universities and 63% in the case of TVET colleges. Subsequently, as fiscal conditions worsened due to continued slow growth and increasing debt burdens, real spending and budgets have, however, turned down. It is projected that by 2026/27 university per student budgets will be about 6% below its level in 2015/16. TVET per student funding will remain above the levels of a decade earlier but will be below levels in 2020/21. NSFAS spending per student (including university and TVET college students) declined by 7% in real terms in 2021/22 and then recovered somewhat over the period to 2023/24. Given MTEF targets of eligible students at universities and TVET colleges, as reported in the 2024 Estimates of National Expenditure (ENE)¹⁰, NSFAS funding available per student would decline substantially over the MTEF. This potential outcome would be the result of declining real NSFAS estimated budgets (as shown in Figure 2) and the reported target of eligible students in universities rising sharply in 2025/26 and again in 2026/27.¹¹

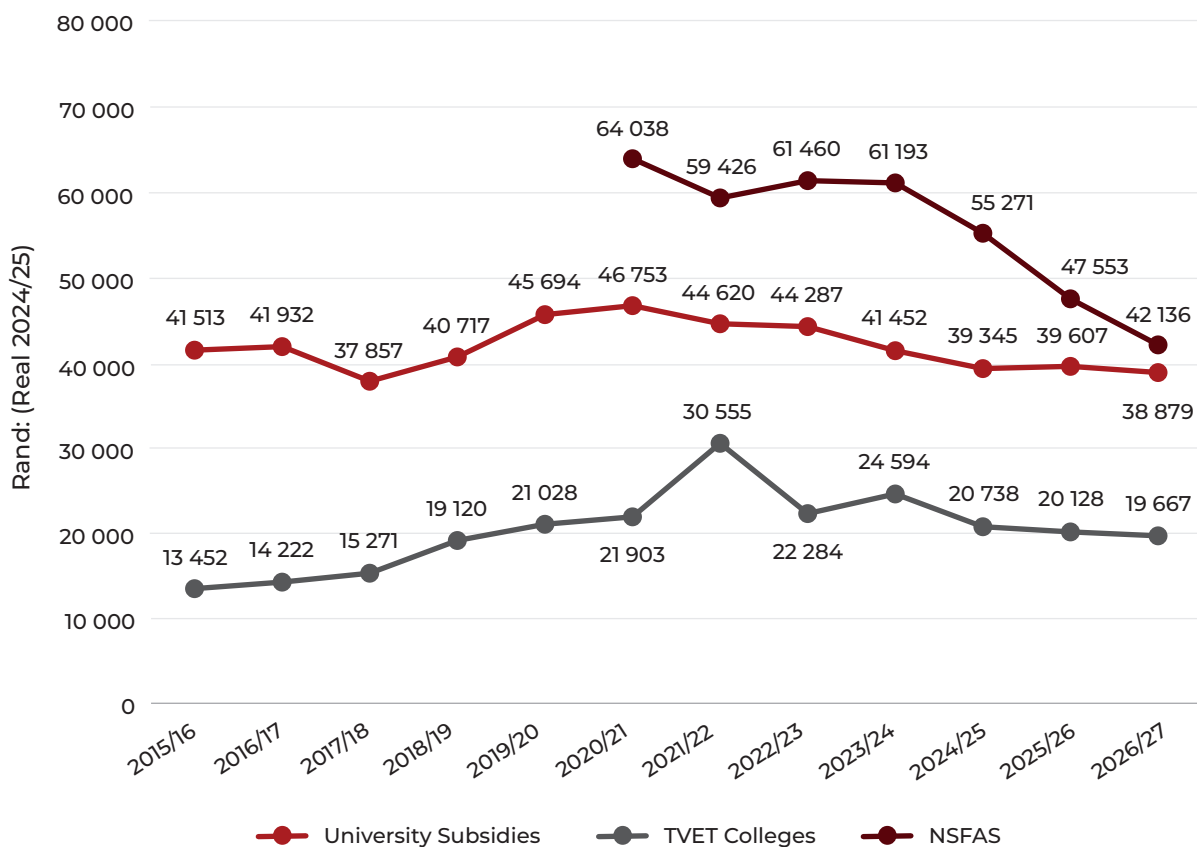


Figure 3 Per student Spending and Budgets: NSFAS, Universities and TVET colleges, 2015/16 to 2026/27 (Real Rand)

Source: Calculations using enrolment and fiscal data in Figures 2 and 3, and projections of enrolments and NSFAS bursary recipients in the 2024 ENE. Budget values for 2024/25 to 2026/27 are budgeted amounts (for 2024/25) and MTEF estimates (for 2025/26 and 2026/27).

These trends in per learner funding implies that three critical pressures will persist:

- It will be impossible to expand places in PSET in line with what is needed to respond to the aspirations of South African youth and the needs of the economy and society.
- Funding will not be available to improve quality in the PSET sector, which is a long-standing imperative.
- Declining real bursary funding availability, relative to need and expectations, combined with continuing challenges in administering these funds, will perpetuate student hardship (also impacting on results) and will contribute to further escalation of student debt levels. This will impact peace on campuses and the financial viability of certain institutions, if not, that of the sector as a whole.

While there has recently been progress in removing constraints on growth and improved well-being in South Africa through interventions from the Presidency and the National Treasury¹², PSET sector financing requires urgent attention to ensure the health of the sector and its contribution to South African prosperity. As Bawa and Pouris recently indicated: “In addition to its many non-tangible contributions, the university system is an important economic sector that contributes significantly to the national fiscus and should be seen as an area of investment rather than as an area of expenditure.”¹³

ENDNOTES

- 1 Sachs, M., 'Budget 2024 – Education Sector Spending Trends' (Resep – Fiscal Workshop 1 – Fiscal Trends and Fiscal Capacity – Drivers and Implications for Spending, Stellenbosch, 10 April 2024), 2.
- 2 The South African PSET system comprises the central government department (the Department of Higher Education and Training), relevant education and training institutions, qualifications and quality assurance bodies and skill levy organisations (sector education and training authorities, the National Skills Authority and the National Skill Fund). The main thrust of skills funding is for already employed workers. This note excludes enrolment and funding of the skills system. See Branson, N. et al., *Post-School Education and Training in South Africa – Pathways, Qualifications, and Organisations Making up the System*. (Cape Town, Siyaphambili, 2020) for an overview of the PSET system.
- 3 Calculated from Leigh Johnson and Rob Dorrington, 'Thembisa Version 4.7: Age Specific Outputs (Population Estimates) by Province' (Cape Town: Centre for Infectious Disease Epidemiology and Research, University of Cape Town, 2024).
- 4 South Africa, Department of Higher Education and Training, 'Statistics on Post-School Education and Training in South Africa, 2022' (Pretoria: DHET, 2024).
- 5 Khuluvhe, M. and Ganyaupfu, E., 'South Africa – Access to Tertiary Education – Country Comparison Using Gross Enrolments Ratio', Fact Sheet (Pretoria: Department of Higher Education and Training, 2023), p. 3. They point out that 'tertiary education includes what is commonly understood as academic education but also includes advanced vocational or professional education. It comprises ISCED level 5 (short-cycle tertiary education), level 6 (Bachelor's or equivalent level), level 7 (Master's or equivalent level) and level 8 (Doctoral or equivalent level).'
- 6 Khuluvhe and Ganyaupfu, p. 4.
- 7 South Africa, Council on Higher Education (CHE), 'Dimensions of Transformation of Higher Education in South Africa', *Briefly Speaking* (Pretoria: CHE, June 2022), 11. While black students now comprise more than 75% of enrolments, black participation rates are still substantially below that of whites.
- 8 Scott, I., 'Designing the South African Higher Education System for Student Success', *Journal of Student Affairs in Africa* 6, no. 1 (2018): 4–5.
- 9 Khuluvhe, M. and Netshifhefhe, E., 'Funding and Expenditure Trends in Post-School Education and Training 2021/22', Fact Sheet (Pretoria, Department of Higher Education and Training, 2024), p.6.
- 10 South Africa, National Treasury, 'Estimates of National Expenditure 2025: Vote 17 – Higher Education and Training' (Pretoria: National Treasury, 2024), tbl. 17.1.
- 11 In 2023/24, based on the MTEF targets of NSFAS eligible students, 40% of university students received NSFAS bursaries and 67% of TVET students. If all projected eligible students were to receive bursaries in 2026/27, the coverage rates would be 58% for university students and 67% for TVET students.
- 12 See Joffe, H., 'Operation Vulindlela Looks to Fix Local Government in Second Phase', *Business Day*, 26 June 2024.
- 13 Bawa, A.C. and Pouris, A., 'An Assessment of the Economic Impact of South Africa's Public Universities', *South African Journal of Science*, 119.9/10 (2023), p. 6.

Requests for additional information on the Teacher Demographic Dividend project can be directed to info@tdd.sun.ac.za.

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