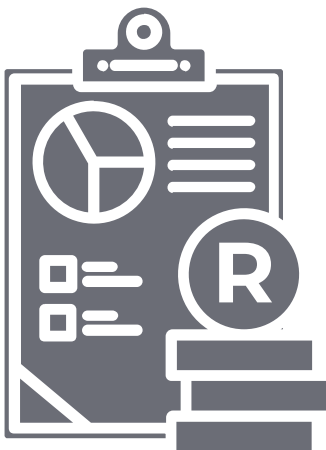


Spending and Budget Trends in the South African Basic Education Sector

Bianca Böhmer and John Kruger (September 2024)



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, for a total cut of more than R3 000 per South African¹. 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 responses.

ENROLMENT AND ACCESS

In 2023, 12.6 million learners² were enrolled in Grades 1-12 in ordinary schools in South Africa, with an additional 143 000 learners enrolled in Special Needs Education Centres³. These numbers are only 3% below the country’s estimated 13.1 million children aged 7-18. South Africa has achieved almost universal enrolment up to the end of the Senior Phase (Gr 9), whilst the enrolment rates for Grades 10-12 are already fairly high relative to comparable countries and increasing⁴.

School enrolment numbers have grown since the early 2000s⁵, driven by an expanding school-age population and greater throughput to Grade 12. However, as Figure 1 shows, overall enrolment numbers have plateaued since 2021, with primary enrolment declining and secondary enrolments increasing. Similarly, the school-aged population is expected to stabilise by 2025, with the population of primary-aged children in decline since 2019.

Enrolment in secondary education (Grades 8-12) will continue to rise for several years due to both population growth in the relevant age groups and higher enrolment rates. This growth in the age cohort and more lenient progression rules during the COVID-19 pandemic lie behind the recent spike in the National Senior Certificate enrolments. As shown in Figure 2, NSC enrolments increased from 504 thousand in 2019 to 725 thousand in 2022 before declining slightly to 691 thousand in 2023.

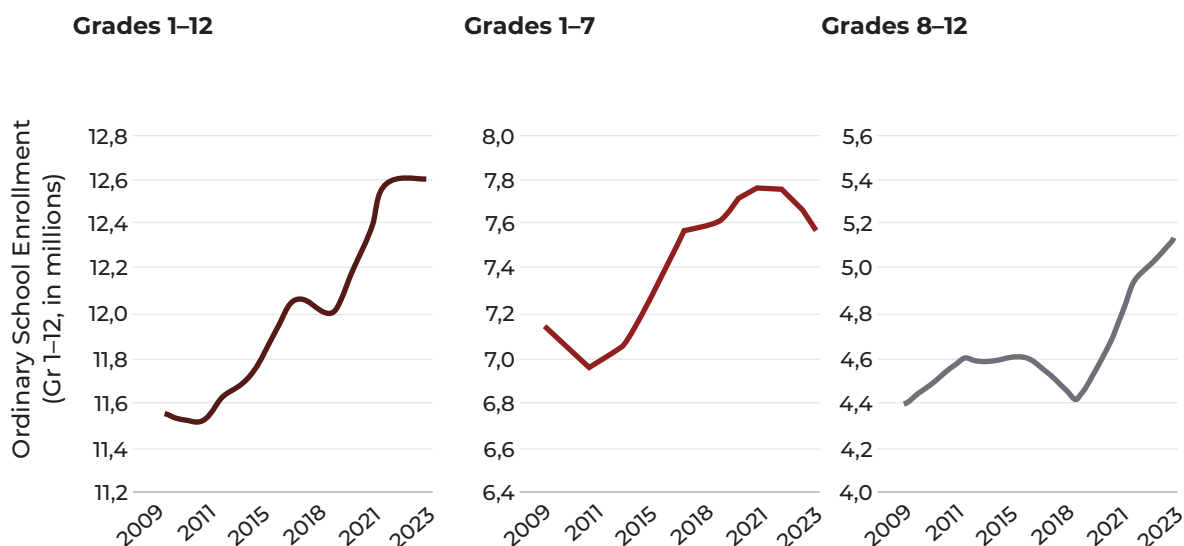


Figure 1 Learner enrolment in Ordinary Schools, Grade 1 to 12 from 2009–2023

Source: Department of Basic Education, School Realities 2009–2023.

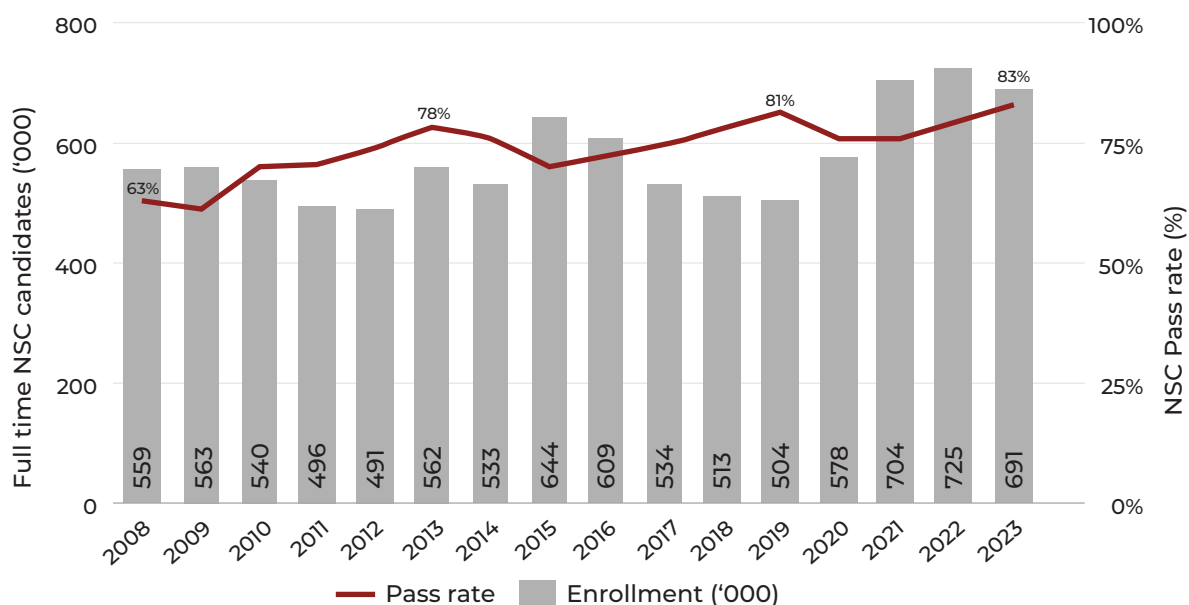


Figure 2 National Senior Certificate Candidate Numbers and Pass Rates, 2008–2023

Source: NSC data, full-time candidates who wrote the Nov/Dec examination. Based on analysis presented by Selkirk (2024) at the Quantitative Education Research Conference on 24 August 2024.

FUNDING FLOWS TO BASIC EDUCATION

Spending on Basic Education consists of spending by the national Department of Basic Education (DBE) and the nine provincial Departments of Education (PDoEs). In 2023/24, national DBE spending (excluding conditional grants) was 1.7% of Basic Education spending, while conditional grants equalled 7.7% of spending. The rest (90.7%) was funded from the provincial equitable shares and provincial own revenue. The two main programmes funded by the conditional grants are the School Nutrition Programme and the two Infrastructure Grants (Education Infrastructure Grant and School Infrastructure Backlogs Grant). In addition, about 20% of learners are enrolled in fee-paying public schools⁶ where private expenditure is used to subsidise the funding by the state.

FINANCING GOVERNMENT
EXPENDITURE ON BASIC
EDUCATION



1.7%

NATIONAL DEPARTMENT
OF BASIC EDUCATION



7.7%

CONDITIONAL GRANTS
TO PROVINCES



90.7%

PROVINCIAL EQUITABLE
SHARE AND OWN
REVENUE

BASIC EDUCATION EXPENDITURE TRENDS

Basic Education expenditure (excluding provincial spending on Grade R and ECCE but including spending by the national DBE and the Presidential Youth Employment Initiative (PYEI)) in nominal terms totalled R308.4 billion for the 2023/24 financial year, equivalent to 13.6% of total government expenditure.

As shown in Figure 3, real spending on Basic Education increased from 2015/16 until 2021/22, but then started declining and is expected to continue to decline over the Medium-Term Expenditure Framework (MTEF). Spending on Basic education as a share of GDP has also declined, peaking at 4.7% of GDP in 2020/21 before going down to 4.4% in 2023/24 and is projected to decline further to 2026/27⁷.

Over this period, Basic Education has consistently been allocated around 16%⁸ of non-interest government expenditure. As a share of total government expenditure, it has declined from 14.6% to about 13.6%, pointing to the increased debt servicing burden squeezing out other expenditure. The Basic Education share of government spending on education has also declined (from about 76% in 2015/16 to 69% in 2023/24), due to the rapid growth in Post-School Education and Training spending and specifically the increased allocations to the National Student Financial Aid Scheme (NSFAS)⁹.

The **downward trend** in real spending in combination with **changes in enrolment** have led to a **decline in per learner spending** in real 2024/25 rands from a peak of R27 756 in 2019/20 to R26 437 in 2022/23, a decrease of 4.8% (see Figure 4). Real expenditure per learner in 2023/24 came to roughly the same as it was in 2015/16.

This reduction in real spending, which is projected to continue over the MTEF period, is putting substantial pressure on provincial education departments. The Wits Public Economy Project estimated a shortfall of R7.6 billion (or about 15 000 employees) on the Basic Education salary bill in 2024¹⁰. In response to the declining real budgets, provinces have started adjusting employment practices and are making plans to contain spending and reduce staff numbers.¹¹

Pressure to reduce staff numbers comes in the context of already high learner-educator ratios and large class sizes.

Following in the wake of the detrimental impact of the COVID-19 pandemic on learning, further staff reductions threaten the quality of education and learning. In addition, infrastructure budgets in education have long been under pressure and have led to a lack of adequate investment in facilities where learner numbers are growing and to inadequate maintenance. One estimate is that infrastructure spending in Basic Education departments declined by nearly 30% between 2017/18 and 2023/24.¹²

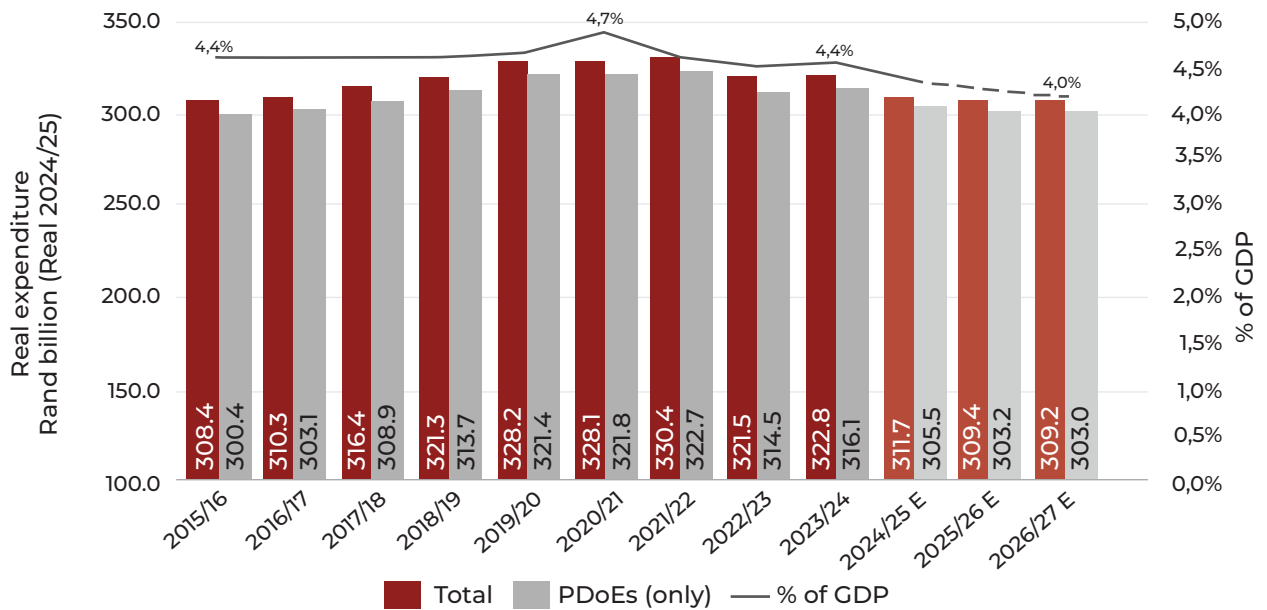


Figure 3 Total expenditure on Basic Education (Grade 1-12)

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. Estimated Expenditure on Grade R and ECCE are not included. Expenditure on the Presidential Youth Employment Initiative (PYEI) is included in the provincial expenditure. Spending by the DBE is included in the first column (Total).

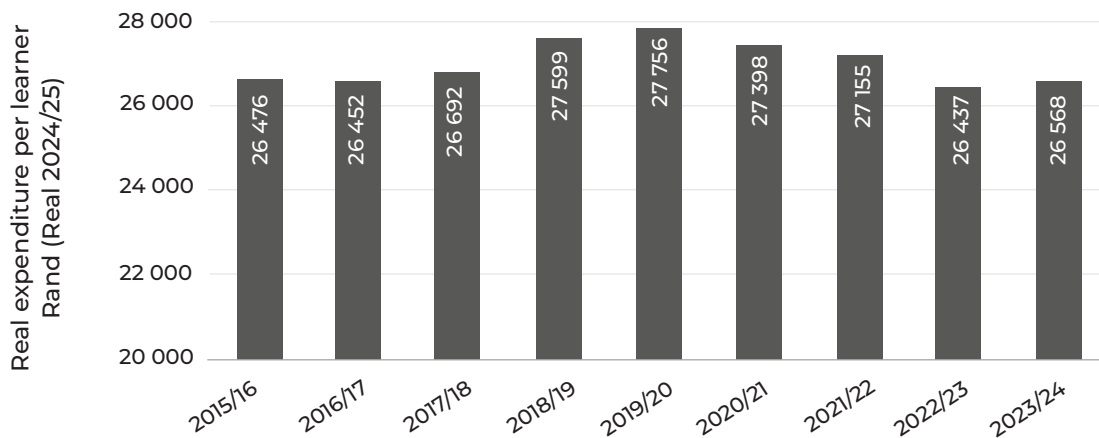


Figure 4 Real per learner expenditure on Gr 1-12 learners in public schools, 2015/16 to 2023/24

Source: Expenditure from National Treasury (2024) deflated by CPI Inflation from the Budget Review, with Grade R and subsidies to Independent Schools excluded but, Presidential Youth Employment Initiative (PYEI) expenditure included. Learner numbers include learners in Grades 1-12 in ordinary public schools as well as all learners in public Special Education centres.

While pressures on education budgets and service delivery are therefore very real, South Africa's expenditure on Basic Education remains above average for middle-income countries, both as a percentage of GDP and in per capita US dollar terms (with currency conversions to reflect country purchasing power parity).¹³ This suggests that as a country **South Africa is not underspending on Basic Education, but rather that there are quality and efficiency issues in the system.** Evidence of inefficiency is that the country's learner performance is not commensurate with what we spend from an international comparative perspective¹⁴ and that provinces generate large differences in class sizes with similar learner-educator ratios.¹⁵

In addition to the (arguable) cushion of reasonable spending levels, demand and cost pressures may be abating somewhat in Basic Education in the coming years. Together with the plateauing of overall learner numbers referred to above, and after just over a decade of increases in real wages for educators, **real wages have fallen** between 2020/21 and 2023/24.^{16/17} It is estimated that from the peak salary levels in 2019/20, the average real wage has decreased by about 9% to 2023/24 as shown in Figure 5. However, despite younger teachers replacing an increasing number of teachers reaching retirement age, this will not significantly alleviate future wage pressures.¹⁸

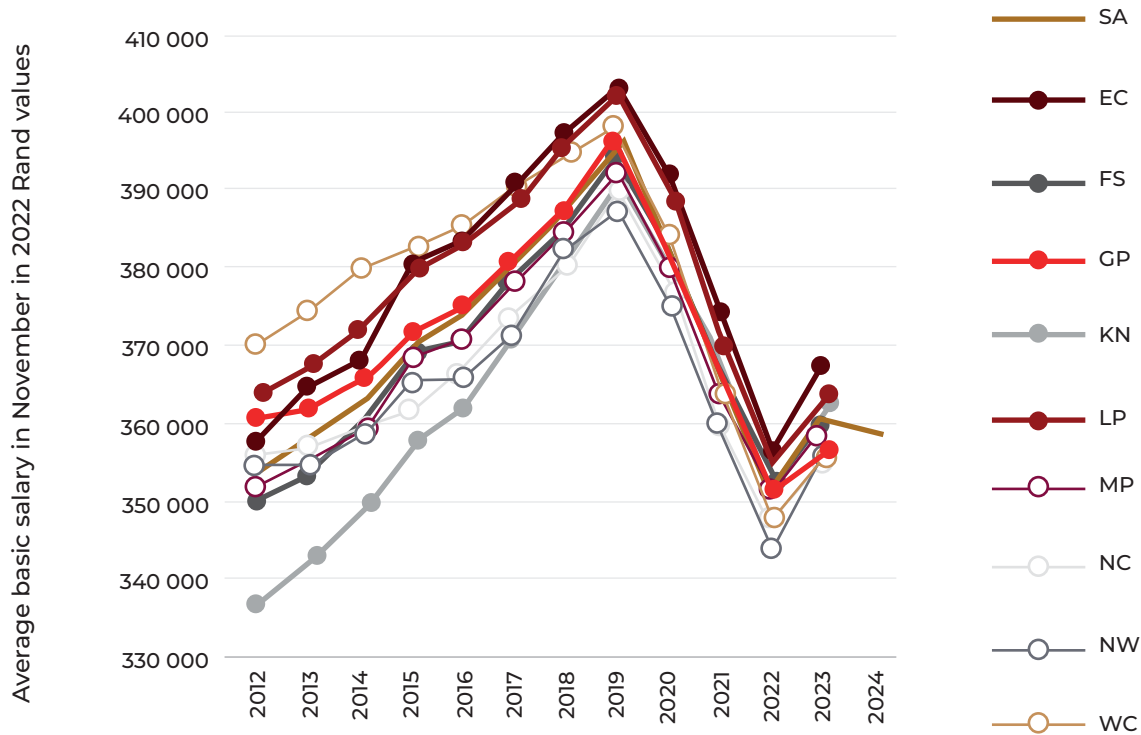


Figure 5 Inflation-adjusted average basic salary trends, 2012-2024

Source: Department of Basic Education (2024). Review of progress in the Basic Education sector to 2024

CONCLUSIONS

The last decade has seen significant pressure on Basic Education provision because of growing enrolment and rising costs, especially teacher costs (until approximately 2020). Some cost drivers (enrolment, wage settlement costs) have eased in recent years at a national level. However, real cuts in budgets and per-learner spending after 2019 to respond to the weakening fiscal position of the country are forcing reductions in teacher numbers and will lead to a continuation of inadequate spending on infrastructure.

Provincial education adjustments to budget cuts are also taking place in the context where the sector has to deal with a shift in enrolments between school phases (primary and secondary) and with population dynamics differing significantly between different provinces, some facing very significant inflows of school-aged populations due to migration, with other provinces experiencing outflows and reduced learner numbers.

The education system therefore faces several complex transitions which threaten the levels of and the stability of service delivery. To maintain or even improve learning in this context will require **attention to inefficiencies in the sector** but also the **exploration of strategic options** that can reduce pressure on provincial education departments and schools. A prolonged continuation of budget cuts will have strong negative consequences for the Basic Education sector and for the future of the country.

ENDNOTES

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6. Own calculations using EMIS Masterlist Q3 2023. Only counts schools as fee-paying if in Q4 or Q5 and has “No” for NoFeeSchool (<https://www.education.gov.za/Programmes/EMIS/EMISDownloads.aspx>)
7. The peak would be lower and the decline larger without the Presidential Youth Employment Initiative. Between R6.0 - 7.0 bn (~2% of total basic education expenditure) was allocated annually to the PYI in basic education between 2020/21 and 2023/24. PYEI information from: Philip, K. (2024). *Moving the Dial on Learning Outcomes? The Presidential Employment Stimulus*. Presentation at the TDD Fiscal Workshop 3: Trends in Basic Education budgets and strategic options on 9 May 2024.
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