

HOW BEST CAN SOUTH AFRICAN HIGHER EDUCATION(HE) PROVIDE ACCESS TO THE POOR?

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Roadmap

Introduction

- The current state of education/poverty/income inequality in South Africa

The link between education and poverty/income inequality

Funding options

- Cost sharing
- If fee-free education higher education and training in South Africa feasible?
- Is slide scaling tuition fees model an alternative?
- Institutional independence and autonomy

Tax incidence implication of free education

Conclusion

- Tax statistics
- Graduate tax & NSFAS unrecovered funds



Introduction and position

As instruments of Reconstruction and Societal development, HEIs are greatly challenged to reform and reorganized from their former fractured, inequitable and isolated apartheid legacy in order to meet the human resource needs and the national goals of a modernizing economy.

But who is responsible for this reform?

Solutions to the particular crisis the South African Higher Education finds itself in must be found and be informed by:

- Rational analysis of empirical data
- Reflection on, and understanding of 1) directions, 2) trends and 3) trajectories of the system
- The success and limitations of policy in steering the system
- Responses of the system to global trends to which it is vulnerable



Position continued

- ❑ The achievement of expanded higher education access for South Africa's poor is policy imperative.
- ❑ Not only as a social justice issue but also to address the skills shortage in the country.
- ❑ Accelerate South Africa's socio economic advancement.



Current challenges

- ❑ Increasing enrolments
- ❑ Increasing costs of higher education.
- ❑ Inability of the National Student Financial Aid Scheme (NSFAS) to provide financial support to all deserving cases.
- ❑ The missing middle are also not accommodated by NSFAS.



Income inequality

- ❑ Unacceptably high levels of inequality
- ❑ The income inequality "between races" has decreased while income inequality "within the race" has increased (Murray et al., 2012).
- ❑ In line with the within-groups inequality, the increase in income inequality is predominant amongst African group which is due to rise in unemployment and increasing earnings inequality (Murray et al., 2012).



Poverty and the link to education

- ❑ Ingrid and Murray (1999) defined poverty as the inability to achieve the minimal standard of living.
- ❑ Ingrid and Murray (1999) found that in South Africa the living standards are associated with race.
- ❑ Ingrid and Murray (1999) found that the poor people have low levels of education and are unemployed. The labor participation is lower in the poor households than non-poor households.
- ❑ Murray et al., (2012) found that the increase in income inequality is predominant amongst African group is due to rise in unemployment and increasing earnings inequality.



Higher Education as a public good

- ❑ Education is a public good that requires spending of scarce resources and also has implications on economic welfare.
- ❑ However, education is non-rivalrous because everyone has a right to it but excludable because the supplier can exclude those who cannot afford to pay for it. In South Africa, education is not only provided by government but also by private suppliers.

Therefore South Africa is faced with a challenge of providing access to education for all deserving. This paper explores options on how government can fund higher education for the poor.



Funding options

- ❑ Cost sharing – Government (tax payers), parents and students
- ❑ Cost shared between fiscus, payment of subsidies and private beneficiaries, through the payment of tuition fees.



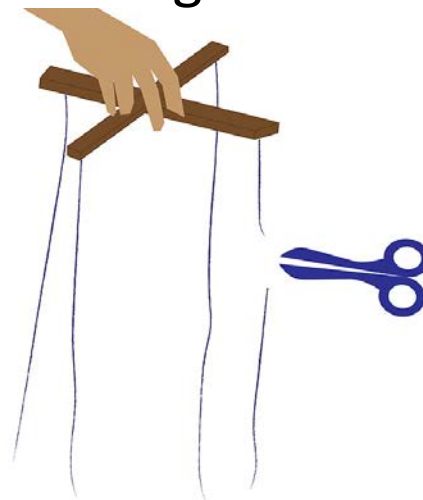
Funding options ...

- ❑ Sliding scale tuition fees model - Tuition fees charged according to a student's household income.
- ❑ Various tuition fees tiers determined based on a student's household income.
- ❑ Lower income families pay lower fees, while well off families pay the full fee rate



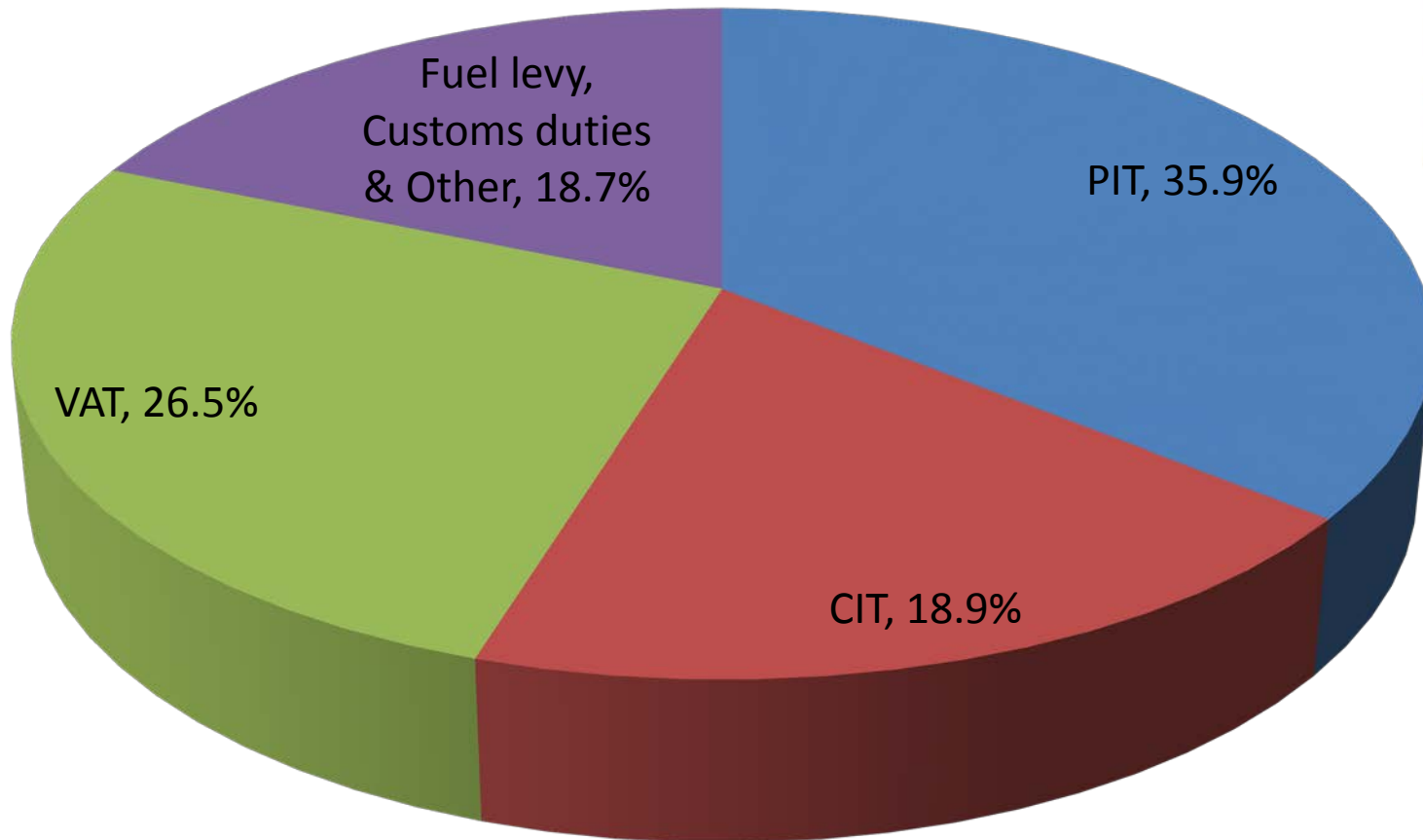
Funding options ...

- ❑ Institutional independency and autonomy
- ❑ Regulation of tuition fees is a bad idea and have negative consequences for university
- ❑ Different universities have different cost structures that are influenced by subject mix, the balance of activities between teaching, research and engagements, Infrastructure and their wage structure.



Funding options ...

- Tax statistics



Funding options ...

- Tax statistics

Percentage	Taxable income group	2011	2012	2013	2014
Number of taxpayers	<= 0	5.7%	4.9%	3.9%	3.3%
	1 – 70 000	21.6%	19.8%	14.7%	12.3%
	70 001 – 250 000	53.6%	54.1%	53.8%	51.5%
	250 001 – 500 000	13.6%	15.0%	19.7%	23.3%
	500 000 +	5.5%	6.2%	7.9%	9.7%
Total		100.0%	100.0%	100.0%	100.0%
Taxable income	<= 0	-2.3%	-2.2%	-1.9%	-1.6%
	1 – 70 000	5.0%	4.1%	2.7%	1.9%
	70 001 – 250 000	42.8%	40.7%	35.8%	31.4%
	250 001 – 500 000	26.0%	26.8%	29.9%	31.4%
	500 000 +	28.5%	30.5%	33.5%	36.9%
Total		100.0%	100.0%	100.0%	100.0%
Tax assessed	<= 0	0.0%	0.0%	0.0%	0.0%
	1 – 70 000	0.2%	0.1%	0.0%	0.0%
	70 001 – 250 000	25.2%	22.9%	16.7%	14.0%
	250 001 – 500 000	28.1%	28.0%	28.9%	28.6%
	500 000 +	46.4%	49.1%	54.3%	57.4%
Total		100.0%	100.0%	100.0%	100.0%



Implications of propositions

- ❑ The balanced budget incidence implication of the above-mentioned proposal implies that the high-income earners (will be worse off in terms of disposable income, while the government will remain the same as government budget remains the same.
- ❑ However, government spending will be re-directed towards education while income will also be re-distributed from high-income earners to low-income earners to address income inequality in the country.



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