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#WhatSACanBe

*100 DAYS TO UNLEASH ECONOMIC GROWTH
AND GET SA BACK ON TRACK*



EDUCATION: EMPOWER EXCELLENCE, BEAT BACK POVERTY

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Introduction

For the first time in three quarters of a century, South Africa has ceased being a one-party-dominant state. The era of predictable and inflexible government power is over. In its stead, South Africans now find themselves in a new era of politics – one that must be defined by pragmatic, pro-growth policy. It is in this spirit that the South African Institute of Race Relations (IRR) has decided to publish *#WhatSACanBe: 100 days to get SA back on track*, a series of nine short papers each focusing on a different key policy area. Taken together, these papers offer a dynamic programme of action for the Government of National Unity (GNU) as it sets out its aims and gets to work earning the trust of South Africans.

The 2024 elections drew a fundamental dividing line in our politics between the country's pro-growth coalition – in the main represented in the GNU – and the pro-poverty parties, which have been denied access to the levers of government power.

But this arrangement is precarious. For democratic consolidation to succeed, the GNU must record notable governance wins in the short term. The policy proposals in this publication series show how a GNU can initiate crucial reform, quickly.

Embarking on a 100-day period of catalysing reform will make maximum political capital available to the GNU and its members. Public sentiment tracks upwards in the slipstream of economic improvements. A period of one hundred days following the first full meeting of the new GNU forms a natural timeframe within which pragmatic, constructive and meaningful government action will ensure an environment of good faith towards the GNU.

The responsibility to make the most of this moment by adopting a proactive, pragmatic plan of government lies heaviest on the leaders of political parties that find common cause in constitutional democracy, the rule of law, and good faith to remedy past failures and build on past successes. If the GNU is willing to do more together to rescue South Africa, this historic moment will be the rebirth of a hopeful rainbow nation.

Parties that occupy the pro-growth mainstream of South African politics based on the common ground of an economic system built on thriving businesses and job creators of all sizes able to operate in a fair, free and responsibly regulated economy; that believe in the ability of individuals and communities to find solutions; that acknowledge the fundamental role and dignity of secure ownership of property and the repudiation of historical crimes against South African property owners; that seek to protect and promote the rule of law; and that hold true to the non-racialism of our Constitution – these parties, as a single constellation, hold between them the capacity to give South Africans hope again. At the core of these convictions lies the critical matter of economic growth – the catalyst for upward social mobility through jobs and a reliable welfare system. Achieving economic growth is the primary challenge and opportunity for the GNU.



Five tests for any reform proposal

The GNU needs a set of policy solutions that satisfies at least five key criteria:

1. Multiple GNU partners will have to support the proposed policies;
2. Labour interests, workers, entrepreneurs, businesses, markets, and investors should be left in no doubt that fundamental and positive changes are being made in the policy environment;
3. External stakeholders will have to be brought on board, or ways will have to be found to address their opposition;
4. The policy solutions will have to make a substantive, tangible change in the lives of ordinary South Africans in the short, medium, and long term; and
5. The outcomes of policy solutions have to be popular with the electorate, with the goals being clearly communicated by the GNU.

Every *#WhatSACanBe* policy reform is therefore scored on the basis of five simple questions:

1. Will voters support it?
2. Will economic stakeholders welcome it?
3. Will GNU partners buy into it?
4. Will the media support it?
5. Will opponents derail it?

Context of crises

Amidst the euphoria of taking office, the new administration must be under no illusions about the scale of the challenge. Some of the crises the GNU faces are, in no particular order:

1. An ineffective, bloated, and politicised civil service;
2. An overburdened judicial system that risks losing public trust;
3. A decline in the general standing, independence, and fairness of judicial officers;
4. An ineffective police force likely antagonistic to reform;
5. A small and shrinking tax base under immense strain;
6. Increasing water shortages across the country;
7. Violent crime, especially against the most vulnerable, running rampant in sub-middle-class areas;
8. A local currency of fluctuating reliability;
9. High levels of government debt;
10. Consistently high unemployment and youth unemployment rates;
11. Failing and unreliable road, rail, and port infrastructure;
12. Mass blackouts of power in large parts of the country due to a national power grid functioning at close to 60% capacity; and
13. Child malnutrition in rural and inner-city areas.



With the above as the context, proper consideration can be given to setting out a viable and successful path forward. Great as these challenges would be to any incoming government, a pragmatic and outcomes-focused programme of government will ensure a vigorous turnaround and the introduction of pro-growth policy consensus.

Priorities of the people

Polling by the IRR over the past decade has repeatedly emphasised the key priorities of South Africans, revealing surprising unity across demographic divisions. The most recent survey indicated the following priority problem areas:

- Unemployment and job creation
- The abuse of women or children
- Corruption
- Electricity or load-shedding
- Housing
- Water and sanitation
- Education
- Poverty
- Inequality, including gender and racial inequality
- Health care

Economic growth forms the foundation of all solutions in these priority areas. To earn maximum political capital from their initial policy actions and announcements, it is advisable that policymakers focus on economic growth as the key to meeting public demands on these priorities, ensuring that the government's agenda is unambiguously pro-growth.

From the above, it is clear that one of the policy categories in which positive change will most likely generate political capital for the new government is education. This paper, the eighth in the *#WhatSACanBe* series, focuses on empowering excellence and beating back poverty.

Education: Empower excellence, beat back poverty

What should the GNU do?

The GNU should introduce a tax-funded education voucher system with the aim of empowering communities and parents to be more involved in their children's education.

Why should the GNU make this change?

The policy will give parents greater control over the direction of their children's schooling. Parents would be given a voucher for each child, which they could use towards education, whether at an independent school, an ordinary state school, a former Model C school, or a school run by entrepreneurs.



This innovation is needed because South Africa's education system is in crisis. A major concern is South Africa's high drop-out rate. Of the over 1 million pupils enrolled in Grade 10 in 2018, only 56% reached Grade 12, and only 20% achieved a bachelor's pass.

These statistics demonstrate that South African schools are performing dismally. However, they hide the fact that there is a considerable difference in the output of independent schools compared to public schools. For example, Independent Examination Board schools achieved a 98.4% overall pass rate in 2021, with a 89.2% bachelor's pass rate, while public schools only managed to achieve a 76.4% matric pass rate and a 36.4% bachelor's pass rate.

To ensure that their children have access to quality education, middle-class families have in large numbers sent their children to independent and former Model C schools. For example, between 2000 and 2020, the number of pupils in independent schools increased by 163% compared to an 8% increase of pupils in public schools. There is clear demand for private education in South Africa.

Unfortunately, most township parents cannot afford the fees of independent schools or former Model C schools. Many low-income households are therefore forced (due to limited means) to send their children to no-fee, government-run schools nearby, which often lack critical infrastructure and qualified staff.

However, not all township schools have poor outcomes. In fact, a handful of low-fee township schools achieve bachelor's pass rates that are significantly higher than the national average for public schools. A 2018 IRR paper found that some low-fee township schools managed to obtain bachelor's pass rates of between 47% and 54%. Their relatively high bachelor's pass rates can be attributed to several key factors: 1) good management and internal controls, 2) a good relationship with parents and stakeholders, 3) implementation of policies, 4) active school governing boards, 5) good management of available resources.

According to James Tooley, professor of education policy at the University of Buckingham, there are many examples of low-cost, high-quality private schools in poorer communities in Africa and across the world, which are able to compete with high-fee, private suburban schools. These low-fee private schools are run as businesses in poor areas, sometimes even from shacks. Therefore, low-income households do not necessarily have to send their children to high-fee private schools. Rather, education vouchers could increase low-income households' access to better-performing, low-fee private schools.

Once low-income households are financially empowered by schooling vouchers, they will no longer be limited to poorly performing local government schools. They can be more selective, and shop around for the best education for their children.

Over the long run, there will be an exodus of pupils from badly managed schools. This will serve as an incentive for principals and teachers at dysfunctional schools to improve their performance if they want to avoid closures and job losses. In addition, many more independent schools will be established to meet rising demand. As a result, there will be greater competition between schools, which will promote innovation, increase the quality of education, and lower the costs.

How should the GNU make this change in terms of laws, regulations, etc.?

The voucher system can be implemented by redirecting much of the present schooling budget into tax-funded schooling vouchers to be provided to all parents who fall below a certain income level. The IRR has calculated that state expenditure should be redirected to parents in the form of a voucher worth around R21,500 a year for each child. The vouchers would be distributed in the form of smartcards on proof of identity of parents and children via filling stations, national retail chains, cell phone outlets, or any other existing national network.

In addition, new legislation will have to be written to set out the specifications for a means test, and to determine what a household's income should be to qualify for a voucher.

Further questions that have still to be addressed include whether vouchers would be for tuition only, or also cover transport between school and home; whether children doing home-schooling would qualify for a voucher, and whether any unspent money in a given year would be carried over to the next.

Will it fly?

Will voters support it?

The general public will support vouchers, according to a 2021 opinion survey conducted by the IRR. Participants were interviewed by phone in their language of choice by experienced field operators. Asked if they would like a tax-funded schooling voucher so they could send their children to a school of their choice, 78% of all respondents – and 79% of black respondents – said “Yes”.

Will markets and investors welcome it?

Market and investor reaction will most likely be favourable to the school voucher system. Currently, there is a major skills mismatch in South Africa since our education system is not producing the skills required by our increasingly sophisticated economy.

For example, between 2003 and 2020, employment in primary and secondary industries declined steadily. Since 2003, formal employment in manufacturing declined from 19.5% to 11.7%. On the other hand, the share of employment in the finance sector increased from 17.9% to 23.1%.

The changing structure of South Africa's economy has therefore seen a move towards tertiary and service-based industries, but the limited skills of a considerable number of South Africans means they can only be employed by low and semi-skilled sectors which are in decline. This partially explains South Africa's high unemployment rate.

Unless steps are taken to increase the number of educated people and the absorption rate, crime and the threat of violent social unrest will continue to be a risk for businesses in the country. Investors and markets will therefore seek to encourage any approach that will improve education output as this will help to stabilise the country and make the environment more conducive to investment and business.

Will GNU partners buy into it?

Some political parties have expressed support for school vouchers. Ultimately, political partners that favour free markets and competition will most likely support vouchers. Some major GNU partners will oppose vouchers based on ideology, believing, for example, that education should be free. In addition, they view capitalism with disdain and will therefore be reluctant to support a voucher system. They may even identify it as an onslaught on public schools. Key political players could even view the public education system as a way to keep the systems of patronage running; were failing public schools to face closure due to the voucher system, this could threaten their leverage and control.

Will the news media support it?

There may initially be some resistance to vouchers from elements in the media who are inclined to view free-market ideas as "putting profit before people". There is a belief that education, health care and security, for example, are public goods, and therefore policies that encourage privatisation or the establishment of more private schools will be interpreted with suspicion. However, if the message can be conveyed that low-income households would be the biggest beneficiaries of the voucher system, then many in the media would view the policy more positively.

What's the downside?

The primary downside will be opponents characterising this as an attempt to further keep quality health care away from "the poor". This would be a cynical mischaracterisation of such a policy approach that is, at its core, driven by the idea of making more resources available to the poorest in the country.

Will opponents derail it?

Given that the school voucher system could lead to the closure of many underperforming public schools, a few counterpoints in opposition could be raised. Firstly, it could be argued that the school voucher system would be an expensive endeavour, diverting a large portion of education spending away from public schools – this could have an impact on public school teacher salaries while also further limiting the ability for already cash-strapped public schools



to provide needed classroom resources. Secondly, it can be argued that the voucher system might lead to wide-scale job losses if failing schools (which are unable to reform) are shut down due to large numbers of pupils migrating to better-performing schools. Thirdly, in many remote areas of South Africa, independent schools are simply not an option. An expansion of vouchers nationwide could devastate rural schools. Fourthly, some unions and political parties are committed to the National Democratic Revolution (NDR), which envisages more state intervention in the economy. If many public schools risk being shut down due to lack of demand, proponents of the NDR will argue that education is being privatised in South Africa. Based on these arguments, opposing forces could launch an attack through strikes, court action and by influencing public discourse.

Conclusion

At present, most parents have little say in where to send their children to school. In most cases, costly tuition and geographical constraints restrict their choices to dysfunctional public schools with poor educational outcomes. Given that education ranks among the top 10 priorities for South Africans, this paper serves as an important blueprint for the GNU to rescue our schools before it's too late – and achieve some important wins in the eyes of the public.

This paper outlines important education reforms that the GNU must refine and reach agreement on as pragmatic and mainstream proposals. It serves as a basis for the upcoming National Dialogue which must focus on actionable changes – such as a tax-funded voucher system – that can be introduced in the 2025 State of the Nation Address.

To this end:

- Introduce a tax-funded education voucher system;
- Draft new legislation to define the means test criteria and household income threshold for voucher eligibility, and
- Develop logistical guidelines to clarify voucher usage, including the eligibility criteria, intended purposes of vouchers, the handling of unused vouchers, and the reallocation of the national budget.

By introducing tax-funded vouchers for schooling (and reallocating resources to fund them), the GNU will make quality education accessible to all, regardless of socioeconomic status. These reforms will introduce healthy competition among schools, improve educational outcomes, and place the power to choose back in the hands of South African parents (and children) – quick wins that the GNU partners can use to celebrate their collective strengths and deepen their collaboration.

The chalk is on the board – education vouchers offer the reform South Africans need to empower excellence and push back poverty. These reforms must be initiated within the first 100 days to set the stage for tangible results from day 101 onward. The time for decisive action is now.





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