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Education transformation in South Africa: the impact of finance equity reforms in public schooling after 1998

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Chapter 3

POLICIES AND LEGISLATION FOR EQUITY IN EDUCATION

3.1 Introduction

One of the most important questions for the post-apartheid education sector was how the state could approach the financing of education in a manner consistent with the constitutional affirmation of the right to basic education and equity. The operationalisation of these rights in the context of the political economy of South Africa raises questions about their meaning and realisation in practice. This chapter reviews the broader political economic context within which equity reforms took place, and then goes on to examine policy and legislation for equity provision at the school level.

The theme of equity in education is interspersed in a range of education documents from the post-1994 government. These include:

- the White Paper on Education and Training (DoE, 1995b) – a seminal document which sets the broad agenda for transformation;
- White Paper 2 on Education (DoE, 1996b) – which focuses on governance and financing;
- the National Education Policy Act (RSA, 1998b) – which establishes the principle of co-operative governance;

- the South African Schools Act, (RSA, 1996b) – which entrusts governing bodies with the provision of an equitable and quality education and with the responsibility for fund-raising;
- the Employment of Educators Act (RSA, 1998a) which establishes the conditions for the employment of educators;
- the South African Constitution (RSA, 1996a:10) – which establishes the right to basic education for all; and
- the Norms and Standards for School Funding (DoE, 1998a: Section 36) – which redistributes recurrent non-personnel expenditure from richer to poorer schools according to the poverty quintile ranking.

Policy texts, however, should not be taken at face value; they need to be read with caution as specific forms of text (Bastiani, 1995). Firstly, the context of their production needs to be considered. It is important to note that the early versions of the policy documents were produced by the Government of National Unity (GNU) in a period of socio-economic transition. As Nzimande (in Kallaway *et al.*, 1997) points out, this transition was a compromise between elements of the old order and the major social and political forces engaged in the struggle against apartheid. Contextual compromises in policy making during the GNU period translated into diffused notions of equity, and it is likely that conflicts and contestation over the form and the content of equity will continue through to its implementation. This will become clearer in the discussion below on policies on equity and its implementation and the specific form of the redress and equity agenda.

Secondly, as Fine (2001) points out, it is inappropriate to approach policy documents and legislation as if they have scholarly significance and intent. This does not mean that policy documents are insignificant, however. This point is best illustrated in the conceptualisation of equity, equality and redress, and the slippage between these concepts.

Thirdly, as Christie (2004, 2006) argues, the policy process is fluid, dynamic and contestational; policy may be best understood in terms of practices on the ground rather than in terms of idealist intentions. Policy is a complex social process in

which policy making and implementation are very difficult to divide.

Sayed (1997a,b) and Ball (1994) have pointed out that policies are inevitably interpreted and in the process they may be adapted, adopted, contested and resisted at various sites before being put into practice. Bowe and Ball with Gold (1992) have illustrated how policies are made at all sites in the education system, encapsulating engagement, interpretation and struggle. In short, this research argues that it is necessary to move beyond policy texts, to analyse them in terms of their impact on the ground; this is what this research aims to do.

3.2 The Political-economic Context of Equity Reforms

3.2.1 Overview

The analysis in this thesis takes account of the changing nature of the state in post-apartheid South Africa. Much has been written about the state, and it is variously characterised as “minimalist” or as “rolling back”, and in relation to globalisation and national development. There are concerns that the state has been weakly theorised (E. Motala & Pampallis, 2001:3).

It is clear that the post-apartheid state has been the site of contestation between conservative and radical social policies and by divergent social and class interests, even if they are defined in purely in racial terms. Education reform policies are expressions of these contestations.

In its review of funding mechanisms for schooling, the research probes the objective capabilities of the state, the limits imposed on the post-apartheid state, the relationship between state policies and the market in the context of global change, the ways in which the state has sought to discharge its constitutional and legislative mandates, and the nature of the choices that have been made by the state since 1994.

What was the influence of the international discourse on South Africa's unfolding political and economical context in the mid-1990s? South Africa's transition to democracy occurred at the time when the Washington consensus on pro-market policies was breaking down. It continued to be an influence, however, particularly the principle that diminishing the role of the state would provide greater choice and greater equality (Oldfield, 2002).

During the 1990s a new consensus emerged. Its key features included an acceptance of the complementarities of states and markets and the role of custom and tradition. The 1990s also saw sustained discussion of the role of globalisation in national development. At first globalisation was seen as substantially eroding the role of state, which simply became regarded as the conduit for establishing global rule to ensure open markets at national level (Chisholm, 2004). E. Motala (2001) notes that global imperatives, consistent with the rationality of policies regarding the market and modernisation theories more generally, are consistent with the reorientation of national economic, finance, trade and tariff policies, as well as policies regarding capital flows. The first wave of reforms in South Africa in the immediate post-apartheid period were suggestive of this**.**

By 2000 there had been a steady shift in many policy domains in South Africa, towards a far more directive and prescriptive role for the state which has been variously described as re-centralisation (De Clercq, 1998; Motala & Mngudi, 1999), or "embedded autonomy" (E. Motala, 2001), or attempts to ensure consistency and containment (Christie, 2006). The role of civil society as a reaction to the perceived ineffectiveness of the state has also been considered. This has emphasised the role of creative and collective local action to achieve improvements in education (Greenstein, 1997; Vally, 2003; Grant Lewis & Motala, 2004).

This study will argue, following on from the work of Oldfield (2001), E. Motala and Pampallis (2001) and Chisholm (2004), that nation states are not necessarily rendered impotent when faced with the power of globalisation and market forces. This is represented by the particular choices in the funding model used in South

Africa. Nation states, at any particular political conjuncture, can represent a mix of international and domestic opportunities and constraints, and can display remarkable resilience.

Several questions are posed in this research. How does the state continue to bear the responsibility of driving the process of transformation to achieve equal education and the broader objects of equity, through its role in the co-ordination of resources and implementation and its achievement of justice? What have been the outcomes of the reforms? Have they responded to equity measures more than class and social location? The issue of funding brings into sharp focus the issues of social class, the realignment of class, the role of race, and whether racial patterns of delivery have shifted. This is considered below.

3.2.2 Race and class

For the purposes of this research, former education department has been used as a proxy for race and socio-economic status to designate class. The rationale for using former departments is that most schools in Gauteng continue to be racially homogeneous (Sujee, 2003). Demographic shifts are captured, and the analysis speaks, in a limited way, to this as well. The poverty quintile rating, which considers the poverty level of the school and surrounding community, designates five categories of socio-economic status. The Gauteng poverty ranking categorisation is accepted as being a strong and sound measure of socio-economic status (Patel, 2002). However, it must be noted that these definitions are over-simplified as they speak to a wide set of debates and discussions.

Wolpe (1988) has argued that neither race nor class are capable of explaining the nature of the South African social formation and the ways in which privilege, power and position are distributed. Neither is able to grasp the entire story of social division and the hierarchy that operates in society. He notes that the combination of race, class and politics produce effects and outcomes that are ongoing and always in flux. They produce differentiation within groups, fracturing their homogeneity. Privileging class, therefore, as a category of analysis

underplays the ways in which a whole range of conditions and processes has influenced the sense of cohesiveness and fragmentation within groups.

The value of Wolpe's work is that it calls into question the ways in which discourses of race and class have been mobilised to understand South African post-apartheid education policy. This thesis argues that it is necessary to look at more complex ways of understanding social difference in South Africa. It investigates how the racial discourse has been sustained and carried into post-apartheid South Africa. The research also considers whether one of the outcomes of social change (*and in schools as sites of such change)* is "the deracialisation of the apex of the class structure" (Daniel, Habib & Southall, 2003:20).

More complex is the question of defining and redefining class. In South Africa there is increasing debate about the size of the middle class, what constitutes it and how it is defined. The role of education in class formation is a complex one, encompassing many aspects. Class formation is understood here as a social and economic phenomenon, and class is understood as having both cultural and material dimensions (Chisholm, 2004). Education contributes to the socialisation of classes and their differential preparation for positions in the economy, politics and society (Ball, 2003).

Southall (2005) provides a loose and commonly understood definition to enable ascertaining the size of the middle class in South Africa: He characterises the middle class by its primary income (direct or indirect), non-manual employment, as white collar employees, managers or self-employed business people. In his analysis and overview of current approaches and estimates, Southall cautions that out of a total population of 44 million, the middle class of 2.5 million remains very small. There has been substantial growth, however, in the distribution of national income accruing to African people – from 4% in 1970 to 28.9% in 1996. However, the income gap between rich and poor has been growing – the country's Gini co-efficient rose from .69 in 1996 to .77 in 2001 (HSRC, 2004).

This research attempts to engage with the debates about the definitions of the middle class (Nattrass & Seekings, 2001), whether a particular kind of class settlement is taking place in schooling that is actively being driven by the middle class (Soudien, 2004:209), whether there is evidence of intra-race group differentiation, and whether there is a new deracialised middle class that is the main beneficiary of reform (Chisholm, 2004; Daniel *et al.*, 2004).

3.2.3 Macro-economic frameworks

The unfolding of the macro-economic policies in education clearly illustrates the tensions within the post-apartheid state. Two things are apparent. As discussed earlier, the negotiated settlement and the consensus-driven approach to policy making meant that the declaration of radical social policies were, in practice, tempered by the expectation of conciliatory politics. This meant that the situation demanded liberalisation rather than radicalisation of economic policies. The shifts in macro-economic policies illustrate this, and provide an important context for the achievement of equity in education expenditure.

It is commonly argued that the specific form of the resource allocation model utilised in South Africa required an enabling environment provided by the overall macro-economic framework. Central to the African National Congress's vision for the new South Africa was the macro-economic strategy embodied in its Reconstruction and Development Programme (RDP). The RDP called for an expansionary monetary and fiscal policy designed to promote growth, reduce poverty and redress past inequities. It would have required large increases in state spending on social services, including education, especially in the form of capital spending (Nicalou, 2001). As the programme evolved, however, it was constrained by a new concern for fiscal discipline, driven by a Department of Finance (DoF) directive to reduce the government deficit. A key difficulty in the implementation of the RDP was related to the tension between the centralised management, committed to transformation, and the entrenched bureaucratic power of the line ministries.

The RDP was replaced in 1997 with a new macro-economic strategy – Growth,

Employment and Redistribution (GEAR). GEAR focused far more on the goals of reducing the deficit and limiting inflation than on the expansionary policies required by the RDP. It did include a public investment programme designed to address backlogs and enhance the long-run competitive capacity of the country. However, these investments would only have been possible had the economy grown at the projected rate of 6%, which did not happen (Chisholm, Motala & Vally, 1999; Motala, 2000; Nicalou, 2001).

There was also an important shift in strategy emanating from the Department of Finance, strongly suggesting that the level of expenditure in education was not merely a reflection of a limited fiscus, but represented a response to an essentially inefficient system of education. The Department of Finance argued that education spending was proportionately more than adequate; it motivated for redress using funds released from system inefficiencies (DoF, 1998). While the 1998 Medium Term Expenditure Framework (MTEF) review revolved around issues of access to schooling, classroom backlogs, infrastructural deficiencies, inefficient procurement processes, and the levels of funding for education (DoF, 1998:11), the 1999 report shifted the focus from these issues to system inefficiencies as demonstrated by flow-through rates, pass rates, and over-enrolment and under-enrolment (the enrolment issues particularly in relation to over-age and under-age children).

While there is no disagreement that the education system was characterised by deep inefficiencies, there is ongoing debate about whether more resources or more efficient use of existing resources is necessary (Donaldson, 1992; Motala, 1997. 2003; DoF, 1998; Fedderke *et al.*, 2000; Motala & Porteus, 2001; Van der Berg, 2002; Bhorat, 2004). Whether these inefficiencies required up-front investment in the short term in order to release resources for systemic redistribution in the medium term (Motala & Porteus, 2001) and whether the cost containment of the more privileged sector in the public education system is possible is being questioned (Karlsson *et al.*, 1999; Wildeman, 2000b). The overall level of the fiscus and its adequacy is also considered. Nicalou (2001) argues that declining state expenditure because of fiscal discipline compounds social backlogs, particularly in education.

There has been an increase in education expenditure from R31.1 billion in 1995 to R59.6 billion by 2002. After adjusting for inflation, the education budget has declined slightly as a percentage of total government expenditure (from 19.2% in 1996 to 18.8% in 2002), and as a percentage of the Gross Domestic Product (from 5.7% in 1996 to 4.9% in 2002) (UNDP, 2003:24). Overall social expenditure has also declined, and the level of spending as a percentage of GDP is low compared to other developing countries (Rechovsky, 2005:43).

Motala (2003), Fiske and Ladd (2004), Lemon (2004) and Reshovsky (2005) argue that the macro-economic framework, while prudent and sound fiscal policy, continues to be constraining in terms of addressing redress, particularly in the distribution of social expenditure.

3.3 Achieving Equity in South African Education Policy – Inter-provincial and Intra-provincial Mechanisms

3.3.1 Overview

After considered policy review, South Africa opted for formula-based and needs-based funding. The need for a break with traditional funding mechanisms is persuasively argued for by Ross and Levacic (1999). This includes factors such as historical precedent, which ensures that the benchmark for future spending is based on what has happened in previous years (with formerly white schools receiving disproportionately large amounts of funding), schools seeking to argue their own individual cases for particular funding levels, and discretion (resources allocated according to the personal judgements exercised by education administrators). All of these influence the national and provincial financing formulas put into place after 1994. The focus of this study is to look at per capita expenditure, a key equity indicator, and to assess its impact.

South Africa's Constitution (RSA, 1996a:10) guarantees to all citizens "the right to a basic education, including adult education". None of the policy documents define what constitutes a basic education, either in terms of the quality of the

inputs or of the outcomes to be achieved (Fiske & Ladd, 2002; Patel, 2002). Unlike the provision of social services such as health, food and water, which are qualified by phrases such as “reasonable measures” (RSA, 1996a: Section 29), the right to basic education is unqualified.

Specific mechanisms at inter- and intra-provincial levels which were put in place to achieve equity include the Equitable Shares Formula, certain provisions in South African Schools Act (including the school funding norms), the post provisioning model which provides for the redistribution of educators and the equalisation of learner:educator ratios across provinces. These are discussed below.

3.3.2 Equitable Shares Formula

The 1996 Constitution gave the national government and the nine newly-established provinces joint responsibility for the provision of the major social services, including education, health and welfare services. The different levels of government are encouraged to work together in what the Constitution calls “co-operative governance”. In consultation with the provincial governments, the national government sets national norms and standards which the provinces are then expected to implement. The provincial governments have very limited authority to raise their own revenue, and they rely primarily on revenue-sharing grants from the national government. Central to the design of the new system of co-operative governance was the view that each province should receive an “equitable share” of national revenue so it could provide the public services for which it was responsible. This is the main lever for inter-provincial equity. Since 1997, the national government has transferred an annual single, unconditional grant to each province to be spent on education, health, welfare and other miscellaneous services. These equitable shares are based on a weighted average of demographically driven formulas that apply to each major functional area; the weights reflect the proportion of spending allocated to each expenditure category. The funding goal for education, implicit in the calculation of the equitable shares, is the attempt to assure distributional equity across provinces; equity is defined in terms of the opportunity for each province, regardless of its

wealth, to spend the same amount on education per learner.

The equitable-share calculations are currently based on a 41% share for education. That does not translate into 41% being spent on education in each province, however, because the education share of a province's total allocation depends on its demographic characteristics. In order to strengthen democratic institutions, and because education implementation is a provincial matter, provincial legislatures are encouraged to make their own decisions about spending tradeoffs between education and other categories such as health and welfare. This means that the actual per capita expenditure on education differs from province to province. While the focus of this study is on intra-provincial equity, the equitable shares formula is an important policy driver for redistribution, and for providing the enabling environment for the achievement of intra-provincial equity.

In the 2005/2006 fiscal year, an important shift took place in the Equitable Shares Formula, so that it would no longer weight the number of school-going children differently from other children in the province. This follows a recommendation of the Financial and Fiscal Commission that the double weighting of school-going children disadvantaged poor provinces who had large numbers of out-of-school children (National Treasury, 2005:148). Further discussion on the ESF continues in other chapters.

3.3.3 South African Schools Act

The second key equity driver of policy and legislation is the South African Schools Act (SASA) of 1996, which states:

> the state must fund public schools from public revenue on an equitable basis in order to ensure the proper exercise of the rights of learners to education and redress of past inequalities in education provision (RSA, 1996b: Section 34.1).

SASA was influenced by the findings of the Hunter Committee (DoE, 1995a), which advocated a partnership funding approach to achieve four key principles: attaining equity, advancing quality, redressing imbalances and improving

efficiency. The partnership was to be between the state (which would provide for a minimal level of funding on a sliding scale related to socio-economic indicators) and parents (who would supplement the state funding). The main rationale was as follows: The state did not have the ability to fund education at the high levels enjoyed by some of the previous education departments, and wanted to equalise internal resource allocation. It also wanted to enable parents to supplement the resources of the state if their chosen school required a higher level of resourcing. At the same time, the state would ensure that no child was denied compulsory schooling on the basis of the inability of parents to pay fees.

The Act also makes provision for the election of democratic school governing bodies (SGBs) composed of representatives of all school stakeholders. Such a body was expected to "take all reasonable measures within its means to supplement the resources provided by the state" (RSA, 1996b: Section 36). All governing bodies are obliged to support schools financially as best they can, including by levying school fees. The responsibility to close the gap between state subsidisation and the remaining financial requirements of the school becomes increasingly central to the functioning of locally elected school governing bodies (Motala, Porteus & Tshoane, 2002; Grant Lewis & Motala, 2004). The significance of provisions which posit a public-private model of funding for schooling, and which devolve authority to schools for managing these functions, must not be underestimated.

3.3.4 School funding norms

Another aim of SASA was to redistribute the non-personnel budget through a mechanism that would retain a credible public school sector and redistribute available resources to schools on the basis of need and poverty. A programme for the allocation of non-personnel spending among schools within each province, based on an equity-driven formula – the Norms and Standards for School Funding (DoE, 1998a) – took effect on 1 January 2000. It requires each provincial education department to rank all its schools from poorest to most wealthy, and then to allocate any funding for non-personnel purposes in a progressive way among the schools. The national government requires that at least 60% of the

available funds be allocated to the poorest 40% of schools. In ranking its schools, each provincial department must apply a 50% weight to the poverty of the school community and a 50% weight to the poverty of the school itself as measured by specified characteristics. While the school funding norms appear to have been successfully implemented on the whole, and have led to greater resource allocation for more children, critical issues about their overall effectiveness as a model for redress must be examined (Wildeman, 2001; Patel, 2002).

The redistributive thrust of school funding policy is subjected, like all other government policies, to the demands of budget reform and the aim of fiscal discipline. The school funding policy thus has to reconcile the limited resources of education departments with socially progressive funding policies that aim to assist poor schools. Poor schools are rightly considered the first claimants to the bulk of non-personnel expenditure.

The implementation of the school funding norms policy in 1999 was faced with inadequate funding which made the meaningful redistribution of recurrent non-personnel resources difficult, especially in the poorer education departments (Motala & Perry, 2000). It was also characterised by under-spending in poor non-Section-21 schools (Chakane, 2002; Simkins, 2002). Public schools which were classified as rich experienced problems with their reduced state allocation. Public schools that were in the middle of the resource targeting table received reduced spending. Coupled with a lack of stable income in their parent communities, concern has been expressed about the future financial viability of these schools (Wildeman, 2001:76).

By 2001, more funds were available for redistribution. The norms and standards allocations had outpaced inflation significantly, and this had opened the possibility for greater redress for poor learners. Gauteng is one of the better-resourced provinces; and the gap between it and other provinces is stark. However, insufficient allocations made to middle-level schools in 2000 remained a problem. The distinction between rich and poor learners in public schools was further consolidated by 2001, with better-off public schools increasingly required to fund recurrent spending from their self-generated funds.

In summary, a number of points have emerged which are relevant to this research and which provide a context for the research on the implementation of school funding norms and standards (SFNS) in Gauteng. The key issues are the size of the redistributive base (which appears to have progressively improved), the indicative and actual costs spent on the SFNS by provinces, under-spending by poor schools, the situation of schools in the middle quintiles and how they have fared in relation to overall allocation, and the difficulties associated with the technical processes of implementation of the school funding norms (Simkins, 2002; Wildeman, 2001, 2002, 2003).

This research provides information on whether actual allocations differ between province and school types, the size of the redistributive base, the proportion of SFNS to personnel expenditure and whether this is progressively improving, and the situation of the middle quintiles. It also examines whether formerly advantaged schools, despite progressive redistribution, continue to be advantaged by state expenditure (as a combination of personnel and non-personnel costs) despite policy intention to redistribute significantly to poor learners.

In 2006 the SFNS was overhauled completely, and a national poverty ranking model was put in place. However, the observations above are relevant for the period of this research.

3.3.5 Personnel redistribution: post provisioning in schools

A key equity mechanism has been the distribution of educators across schools. Whereas early policy aimed at equity as uniformity through a distribution of educators from richer to poorer schools, later initiatives (from 2002 onwards) moved to a conception of equity closer to adequacy, taking into account a weighted-learner approach which includes the quintile ranking of schools.

It is important to provide some background to the post provisioning model. The current model follows the educator rationalisation policies of 1996. Given that

personnel spending accounted for over 85% of education budgets and that educator salary schedules were negotiated nationally, another equity measure attempted to equalise learner:educator ratios across the provinces.[6] The aim was to control total education spending and to shift resources between and within provinces.

One component of the policy was an educator redeployment or "right-sizing" policy; a second component was the offer of voluntary severance packages (VSPs) designed to induce educators who were not willing to be transferred to schools where their services were required in terms of the post provisioning model to resign. Their departure from teaching, it was believed, would create space for "excess" educators. Although it was not originally the intention, early on the national Department of Education permitted any educator who wished to do so to take a VSP. By 1997 the costs of the VSPs had risen to over a billion rand and, in a ruling that significantly curtailed of the powers of the national government, the Cape High Court declared that the Ministry of Education did not have the authority to force a Western Cape primary school to hire excess educators from other schools. This court case effectively ended the redeployment policy. However, it was apparent that it was difficult to apply ideal-type frameworks and innovative national policy within the constraints of provincial budgets (Christie, 1999; Motala & Mngudi, 1999). It also brought into focus the relationship between equity and educator quality, since large numbers of experienced educators had taken the VSP and left the public schooling system.

These policies, meant to effect equity between poorer and richer schools through redistribution of educators, were less than successful (Chisholm *et al.*, 1999; Vally & Tleane, 2001:184). The limitation of the early policy on post-provisioning was that it did not look at historical inequalities between schools and at the actual needs of schools. The approach was based on the notion of equity as uniformity rather than equity as adequacy. It was also driven by budgetary imperatives rather than redress.

[6] The target figures of 40:1 in primary schools and 35:1 in secondary schools were justified largely on the basis of international studies suggesting that achievement is relatively constant where class sizes range from 25 to 40 but that it falls when there are more than 40 learners in a class (Vally & Tleane, 2001:83).

As a result of this tension over what amounted to unfunded mandates, the policy of nationally determined learner:educator ratios was terminated, and provinces were given the power to determine their total number of educator positions based on what they could afford.

In 2002, the 1998 post provisioning model was amended. This signalled a shift from the conception of equity merely as equalisation towards an understanding that an "equitable education financing system would assure that each school had sufficient resources to provide an adequate level of education to the learner it serves" (ELRC, 2003:9). Further revisions utilised the notion of "weighted learner" rather than head counts of actual learners (DoE, 2002a). The notion of weighted learner incorporates factors such as class size, medium of instruction, school phase, the introduction of gateway subjects such as Mathematics and Science, and learner disability. Most significantly, the model takes into account the poverty grading of the institution and equitable access to the curriculum. It makes provision for provincial departments to set aside up to 5% of their available posts for poverty redress. These posts are distributed to schools according to quintiles which are determined according to the level of poverty of the schools. The incorporation of the poverty grading of the school in the distribution formula is a sign of the conception of equity that is closer to vertical equity and adequacy, since this approach takes into account the historical inequalities among schools. However, the model has been criticised for being distributive rather than redistributive (Motala, 2003) and because the complexity of curriculum requirements still favour advantaged schools (Porteus, 2001).

The implementation of education equity through educator redistribution puts into sharp focus a number of key issues. It highlights the complex relationship between state and civil society and the limits of a top-down system of reform (Fleisch, 2003; Vally, 2003; Soudien, 2004), the limits of the new bureaucracy (E. Motala, 2001; Fleisch, 2002), and the effects of decentralisation on the new bureaucracy (Karlsson, Pampallis & McPherson, 1999; Motala, 2003).

Chisholm *et al.* (1999) argued that educator right-sizing, the major component of the new government equity strategy, failed because it was subordinated to a self-imposed structural adjustment programme. The educator equity policy was framed in a technical, rationalist discourse, and the driver of the change processes was the need to control short-term public sector spending rather than a commitment to planning redress. National agreements on learner:educator ratios were the outcome of economic models that considered thresholds for ability premised on stable educator salaries and population growth. The debate on class size and affordability was influenced to a significant degree by World Bank policies. The timing of the introduction of the new macro-economic framework coincided with the unfolding of the key right-sizing policies in the Education Labour Relations Council (ELRC).

This research aims to test the hypothesis that equity goals were neutralised by association with cost-reduction policies. While Chisholm *et al.* and Fleisch have made important contributions focusing on global neo-liberalism, and the role and nature of the education bureaucracy and civil society, this research aims to provide a more textured analysis which focuses on the complexity of implementation. It shifts away from the debate on macro-economic policy, accepts its constraints, and focuses instead on the impact of equity policies in relation to educator redistribution and learner:educator ratios.

The international literature raises similar issues on educator labour markets, educator qualification and equity. Evans, Murray and Schwab (2001) note that in the United States of America, even with increases in spending equity within provinces, substantial differences remain across schools in the qualifications of educators. While there is a rather large body of literature examining mobility decisions by educators, relatively little is known about the distribution of educator qualifications and how this relates to education equity. The international literature notes that educators differ from other school resources. Educators respond to wages, and their responsiveness can be seen in their decisions to leave teaching. This may relate to the South African experience where educators respond to financial incentives to leave the profession, particularly the younger members of the profession.

Educators will not respond to enforced mobility. In South Africa, as in the international experience, educators prefer positions in higher socio-economic schools and will not voluntarily choose to work in poor schools (Hanuschek, Kain & Rivkin, 1999).

The other equity indicator that this research uses is learner:educator ratios. The South African policy environment was influenced by class size debates which suggested that marginal reductions in class size would affect learner performance in a positive way. According to international experience, the debate on class size is ongoing (Imazeki, 2003). In the US project STAR (Learner Educator Achievement Ratio) concern was expressed that STAR would contribute to education inequities among learners of different economic status. This was because schools serving the most disadvantaged groups were often the last to implement and had the least-qualified educators – largely because of the cost of the policy measures. Reducing learner:educator ratios in South Africa did not translate into reduced class sizes – it was estimated that by 2000, 41% of public schools had classroom shortages (Department of Finance, 2001).

3.3.6 Review on Financing, Resourcing and Costs of Education in Public Schools

The *Review on Financing, Resourcing and Costs of Education in Public Schools* (DoE, 2003b) was released on 3 March 2003 by the Department of Education. It was timely and significant, and takes on board many of the concerns articulated both by provincial education departments (PEDs) and civil society organisations. The Review examines:

- budgeting from national level down to school level;
- major personnel inputs;
- the conversion of non-personnel recurrent allocations into resources for schools, in line with the national norms and standards for school funding;
- pricing resources for schools;
- the preservation of physical assets in schools;

- respect for human rights;
- school nutrition;
- the national norms and standards for school funding, in particular how they are determined and their relationship to private inputs;
- physical infrastructure; and
- how school resources are translated into learner performance.

The Review must be commended for its explication of the problems of resourcing and funding, and for its pro-poor approach. The coverage is extensive and the data-driven analysis is welcome. The use of evidence is not consistent, but where existing data has been analysed it adds credibility to recommendations. However, two points must be made.

First, the technocratic aspects of the report are based on increased efficiency. In this regard a number of valuable recommendations are made relating to system development, increased capacity and greater efficiency of service delivery. However, the complexity of establishing sound systems for administration of new policy reforms must not be underestimated. Thus, while a number of extremely important issues are raised, the specific legislative, resourcing and governance mechanisms of how they are to be addressed are not clear. In particular, the Review does not spell out how resource allocation will support the implementation of large systemic shifts. This is important given the context of overall fiscal constraint within which social sector reform has taken place since 1998. There is also the question of prioritisation; although a large number of strategies are suggested, some at macro level and others more locally based, some indication of how this is to occur and in what order would be useful.

Second, on the conceptual side, the Review sets out to think innovatively and "out of the box" about how to provide quality education for the majority of children in South Africa. Whether or not it does this adequately in relation to its own transformation framework is discussed below. Some of the major concerns regarding education policy and implementation are:

- the constitutional provision of basic rights and the financing of education as a basic rights issue;
- the adequacy of overall budgetary expenditure on education;
- the effects of decentralisation and devolution;
- the role of private inputs in public education; and
- the key issue of the redistribution of personnel costs relative to the question of historical disadvantage (Motala, 2003).

The Review is an important policy document and some of its provision are directly relevant to the specific and broader themes of this thesis.[7]

The first and most important recommendation relates to the need for greater **inter-provincial equity** in the provision of inputs. Sections 2 and 3 of the Review note that the growth of education expenditure should not be at the expense of other social sectors, but that there should be an optimal mix of education, social welfare and health to effect meaningful social service delivery. In other sections, the Review points specifically to the need for school nutrition (Section 9), a transport subsidy (Section 10) and for child support grants to be related to exemption procedures as a way of ensuring an integrated, holistic approach (Section 10). The understanding that a pro-poor education policy has to be aligned with the approaches of other social sectors must be welcomed.

The Review also calls for a shift from a supply-driven to a demand-driven approach to service delivery in schooling. It is suggested that this approach is treated with caution. A more studied approach is needed for the decentralisation of power to local communities which have high degrees of social and economic inequality – a strong regulatory central state is required to mediate the effect of such inequalities in demand-driven services. A key recommendation which needs greater expansion is what will inform the review of the Equitable Shares Formula (ESF).

The Review's proposals begin to address the issue of **minimum learning**

[7] The following analysis of the Review is based on an article which appeared in the March 2003 issue of the *Quarterly Review of Education and Training in South Africa* (Motala, 2003).

conditions through a variety of mechanisms. It calls for the formulation of a costed basic minimum package required by learners, which will establish a benchmark for planning (Section 9). Better information is required on which school inputs best support learner performance, and these will be supported through production-function research. Infrastructure development will provide a basis for a comprehensive capital investment and maintenance policy that will not be represented only by classroom shortages (Section 11). If the costed minimum basic package relates only to non-personnel expenditure, this may be insufficient in budgetary terms. It may also raise the conceptual problems of separating out core resources in education – teaching resources (personnel) and learning resources (non-personnel items). On infra-structural development, the needs identified by the School Register of Needs require urgent attention.

Concerns about **intra-provincial equity** have included the overall budgeting provision of non-personnel expenditure and whether it is adequate, the lack of prioritisation in the use of non-personnel expenditure, the presence of user fees, its relationship to quality education, and the demographic definitions of poverty and whether this has discriminated against the poorest provinces. These factors are discussed below.

The most significant of the Review's proposals has to do with the **school funding norms**. It relates to ensuring adequate non-personnel funding to all schools, and in particular to poor schools (Section 10). The specific recommendation on poverty deals with a targeted approach that would treat all poor learners equally across the country in terms of non-personnel inputs, and could also lead to possible amendments in the current method of determining school poverty. The establishment of a national list of resource targeting is a significant shift towards equity and will begin to address demographic difference and regional poverty.

A better understanding of what items are being procured through non-personnel allocations will also address the current situation of "squeezing out" non-personnel expenditure. Section 5 of the Review suggests the standardisation of practices across schools and provinces in non-personnel expenditure and the

improvement of systems for procurement. Much of the discussion on procurement is about the efficiency of non-Section 21 schools, although it could be argued that it is not only about efficiency but also about the effects of devolution and self-management in both Section 20 and 21 schools. Decentralisation and its effects are significant policy concerns which require direct attention. Effective decentralisation needs strong support from the central state.

Another contentious and key area is that of **school fees**. There is a great deal of criticism about the practice of user fees – the effects on access and the constitutional right to basic education, the complexities of implementing fee exemption, the effective management of devolved financial powers to schools, the actual levels of income in poor communities, and the relative proportion that is used for school access.

The most important recommendation that the Review makes is the abolition of school fees in poor schools if there is "adequate" public resourcing. Two aspects of previous policy are affirmed: decentralised governance which gives powers to school governing bodies in a variety of forms and the affirmation of public-private partnerships at the school level, thereby making provision for voluntary contributions and school fees. A key concern raised throughout the Review is the limited policy understanding of key education stakeholders; the Review suggests that there is need for aggressive advocacy of the pro-poor aspect of current policy. Finally, the exemption process is cumbersome and administratively difficult. It also devolves the responsibility of means testing and redress to the school level.

Personnel resourcing is referred to in Sections 2 and 4 of the Review. The extensive and wide-ranging discussion of public funding does not reflect sufficiently on the centrality of personnel expenditure in education provision. The supply of educators is fundamental to teaching and learning. The argument for educator provisioning must be made in a way that recognises this – educators are not just another resource but are the "core" resource in the education system – and that is why they absorb so much of its costs. If that approach is adopted,

then the disparities in personnel expenditure become a larger issue – one of fundamental importance. The educator rationalisation which the Review refers to (between 1996 and 1999) must be viewed in this way and its effects need to be factored into the remedial plans for the future, otherwise these effects will continue. The view that the personnel expenditure will be driven by "pro-poor norms". is laudable. It is important to know, however, what the precise meaning of this is – what factors have been taken into account to devise actual funding strategies to suit this approach, and what will be its likely effect?

The proposal of an education budget monitoring and support office to improve budget analysis and capacity, and which would provide support to provincial education department, underlines the importance of sound **systems development** to support the process of change. Crouch (2002) and Sayed (2002) point to the need for sound information management systems to support decentralised activities. This requires linking budgeting, provisioning and tracking systems. The importance developing sub-systems to gather and analyse information for diagnostic purposes cannot be underestimated. A range of new responsibilities should be initiated by the national Department of Education and then managed by the provincial education departments. This suggests a certain re-centralisation to national and provincial levels. However, there is silence on the role of the districts and this requires some attention. The Review makes an important observation – that what are commonly referred to as "capacity problems" in the bureaucracy are really the lack of proper systems. It also calls for improving management capacity for better resource usage.

Throughout the Review there is a call for **capacity building** at all levels of the system and for different purposes. Some of these are budget-analysis capacity, educator quality, school-level finance and resource management, co-ordination of learning support materials, school nutrition, extensive research needs and a revised resource targeting list. While many of the proposals have great merit, in particular the pro-poor emphasis, streamlining existing best practice, identifying the available funding resources and a roll-out plan may go a long way to meet the complex set of new administrative needs.

The Review examines **how the price of education Inputs can be influenced**. There is much discussion on negotiating with the private sector to lower the price of inputs, and on better procurement practices (Section 6). This leads to a discussion of hidden costs, such as uniforms and stationery. Although it does not refer to a specific strategy, the Review gives attention to how textbook delivery is occurring and the need to create more cost-effective and efficient forms of this delivery. These are important recommendations, particularly in working with the Department of Trade and Industry to bring greater co-ordination across governmental efforts.

The issue of **respecting basic human rights** is dealt with in Section 8. The call is for campaigns to create greater advocacy for human rights. It is less clear how and when these will be conducted.

While the transformation framework (in the Review's Introduction) draws broadly from government policy, it is important for the framework to be explicitly located in the constitutional provision on the state's responsibility with regard to basic education. The South African Schools Act's authority is derived from the Constitution. The discourse on human rights and education rights, both nationally and internationally, has gained in importance – a direct engagement with this would have been fruitful. The concepts of adequacy, equity and equality are also under extensive review, as are socio-economic rights. The Review discusses the relationship of socio-economic status to education provision in a number of instances.

The relationship between quality and **translating school resources into learner performance** is of critical importance and is dealt with in Section 12 of the Review. Its recommendation on an integrated performance monitoring system which is accessible to the public is important.

As a response to the many submissions and responses to the Review, in June 2003 Education Minister Kader Asmal outlined his "plan for action" to improve access to free and quality education for all (DoE, 2003a). Key aspects of the plan included:

- Amendments to the school funding norms to establish a national resource targeting framework. Poor learners were to be funded according to nationally defined minimum funding norms irrespective of region.
- A major educator supply utilisation and demand study covering educator supply, utilisation, development and identity issues.
- Amendments to the exemption policy to align exemptions with government's overall poverty alleviation strategy.
- Funding of the proposed funding norms within reprioritised provincial and national budgets.
- Finalising a national policy governing the provision of non-educators to schools.
- The use of national instead of provincial income quintiles to determine levels of poverty.
- The subsidisation of poor learners in richer schools to enable 25% of poor learners in such schools to be completely exempt from paying school fees.
- A phased-in approach to increases in school funding allocations for the 2004, 2005 and 2006 academic years.
- A capital investment plan by 2004 for targeting critical areas of physical infrastructure need.
- From 2004, schools in national quintiles 1 and 2 would need formal approval from the government to charge fees.
- A Primary Schools Nutrition Programme would target the poorest 20% of learners in 2004.
- A fully operational budget monitoring and support office in the Department of Education to provide support to the provincial education budgeting process.
- A joint Department of Education and Department of Transport assessment of current scholar transport initiatives.

Since 2004 the Council of Education Ministers (CEM) has continued to review the allocation of non-personnel, non-capital funding of schools, school fees (including fee-setting procedures and fee exemptions), capital investment in schools and non-educator personnel provisioning in schools. The main aim of these

amendments is to abolish the payment of school fees by 40% of learners across the country in quintiles 1 and 2 of the school funding norms ranking.

Other activities have included the establishment of the budget monitoring and support office and discussions regarding a policy on school uniforms. Together with this, the additional allocation to the School Nutrition Programme in 2004 was aimed at reducing some of the social costs of schooling for parents.

While the focus on poverty targeting has been welcomed, vigorous debate continues on the impact of these policy revisions. Since basic education is defined as the first nine years of school, there are concerns that primary schools will get the bulk of the expenditure at the expense of secondary schools. With national targeting, there is a possibility that the poor are being differentiated within themselves. Other studies examine income levels (Wildeman, 2004); the relation of income levels to schooling and concerns about socio-economic inequality and how these relate to schooling are paramount. Others have pointed out that because the allocation to education continues to be high (Perry, 2002), there is the possibility that other social sectors will want a larger allocation, and this will continue to affect the equitable funding for all poor learners.

It is not clear how poor learners in relatively well-off provinces will be affected by the use of national income quintiles. Learners from poor provinces, while benefiting from the national income quintiles, might suffer from limited resources. It is also not clear how the basic minimum per-learner provision for poor learners will reconcile minimum funding norms with resource availability. This once again brings the discussion to a key aspect of the debate about adequacy. It is important to continue to differentiate between differential funding to counter severe poverty and adequate funding which suggests a minimum amount that is applicable to all learners. The debate about adequacy and equality is on-going. The focus continues to be on greater input equality for schools; however, much of this is tied up in the national-provincial relationship and the limits on provincial budgets for areas of social expenditure like education.

3.3.7 Financial and Fiscal Commission – an alternative approach?

Acknowledging the concerns around provincial equity and the provision of education as a basic right, the Financial and Fiscal Commission (FCC), in its recommendations of 2001 and 2004, proposed a "costed norms" approach that addressed both the vertical allocation of funds among the three spheres of government and the horizontal allocation of funds among the provinces. There are a few significant starting points for the FFC proposal which establishes it as an alternative financing framework – the framework is derived from a conception of rights rather than an analysis of available resources; it argues that the cost of a baseline standard for "basic education" rather than the availability of resources must drive the funding approach, and that the resource distribution model must deliver a minimum level of basic education nationally. A derivation of this view is apparent in Crouch's (1996) earlier work, where he calls for the establishment of equity in conditions of learning attainment.

An unresolved debate in the South African context revolves around what constitutes minimum learning standards (Meyer & Motala, 1997). Drawing on constitutional provision, which is unambiguous about the right to education, the costing of minimum standards in the South African context has to start with what constitutes basic education. This study attempts to establish whether financial provision to schools by way of per capita expenditure is indeed an appropriate and sufficient equity driver.

The FFC (2000:1) argued that its approach would promote the development of an "outcome-based and cost-sensitive budgeting regime" envisioned by the Public Finance Management Act of 2000. In addition, once funding was brought into line with these norms, it would be easier to hold provinces and schools accountable for their performance. Commenting on the proposed amendments to the national norms and standards for school funding, the FFC recommends a definition of a basic education by the government through setting curriculum and learner

performance standards.[8] The FFC model received support both within and from outside government because it established the concept of education as a right rather than as a privilege. As Porteus (2001) notes, it would force the state to articulate what it means by a basic education – that is, it must not only differentiate between schooling and "warehousing" (Castells & Carnoy, 1999), but it must also begin to articulate the minimum quality levels upon which schooling is defined.

The government has, over an extended period, expressed concerns about the costed norms approach. For example, it was worried that the additional spending on education might squeeze out revenue for other services, and that too much transparency about true costs might not be desirable since the government did not have the resources to meet its constitutional mandates. Without more resources, any move toward adequacy would require that additional funds be shifted from the wealthier provinces, with their lower proportion of needy learners, toward the poorer provinces; this would have been politically difficult (Crouch in Fiske & Ladd, 2002). Government has thus far not accepted the FFC's proposal, thereby restricting itself to an equity model that was derived by distributing inputs relatively evenly across provinces.

3.4 Conclusion

The policy review in this chapter illustrates the development of a finance equity model in South Africa. Since the advent of democracy in 1994, policy formation in South Africa has been heavily underscored by the injunctions of restoration, renewal and redress. The potential of these developments for achieving significant reform of the system appears obvious. They are all predicated on the intention of moving the education system from its roots deep within the inequities

[8] Other approaches could be to ensure total expenditure per learner is equitable whether they are funded by state or parents, or that resources such as– infrastructural provision, educators and learning support materials could be equalised for all learners, to create greater equity in the conditions of learners' achievements (Roithmayr, 2002). Finally, provinces could be given categorical sector shares rather than block grants so that their internal division of revenue would not lead to under-spending in some sectors relative to others at the provincial level (Crouch, 2002). The ability of the inter-provincial funding formula to deal with the FFC framework, other approaches and the notion of adequacy is a moot point.

of the past to a future which is informed by the principles of equity and equality.

A number of criticisms have surfaced to suggest that the restructuring process within the country, particularly the intention to achieve equal education, has not been without its problems, contradictions and paradoxes (Gilmour, 1997; Ota, 1997; Samoff, 1997; Tikly, 1997; Chisholm *et al.*, 1999; Jansen, 1999; Sayed, 1999; Bhorat, 2004; Lemon, 2004; Grant Lewis & Motala, 2004; Soudien, 2004). Gilmour (1997) observes that the new government has been conflating equality and equity, and in so doing was ceding the ability, as Secada (1989:74) notes, to consider the fundamental issues that should fall under the rubric of educational equity.

Gilmour suggests that the structuralist approach to change – getting structures right, developing mechanisms and formulas to support government educational goals, and encouraging practices to conform with them – makes the gap between policy and implementation a bureaucratic problem. Pertinent to the discussion on educational equity and financial equity is the assumption that decentralisation of funding to provincial and school level will be beneficial to schools. Critical evaluation of this continues (Motala, Porteus & Tshoane, 2002; Naidoo, 2002; Grant Lewis & Motala, 2004; Grant Lewis & Naidoo, 2006). The assumption was that this devolution of power would lead to greater efficiency and effectiveness in the utilisation of available resources by transferring responsibility to the local level (Lauglo, 1995). These assumptions require testing, and this study contributes to that debate.

Another related issue apparent in this review is the gap between the social democratic emphasis of earlier policy and the neo-liberal frames generated by the financial constraints related to economic restructuring, as in the shift from RDP to GEAR. Efficiency, effectiveness, market-related user fees, unit costs and productivity all inform the school finance equity discourse today. From the analysis of policy documents, it seems that the conceptualisation of post-apartheid education was based on modernisation theories and human capital notions (Chisholm & Motala, 1995; Chisholm, 1997; Simkins, 2002; Seekings, 2003; Bhorat, 2004; Christie, 2006). As a consequence, the government's

understanding of equity came to be framed in specific ways – universal access but restricted through user fees; school governance in which privatisation, decentralisation and the market featured prominently; equalising learner:educator ratios but as unfunded mandates for provinces to implement; top-down decision making that implicated school communities in educator retrenchments and cost cutting. These difficulties have brought into sharp relief the tension between the needs of a democratic public order and a privatised market economy (E. Motala & Pampallis, 2001; Oldfield, 2002; Dieltiens, 2003; Motala, 2003).

What the above draws attention to is the role of the post-apartheid state. While globalisation was seen as substantially eroding the role of the state, the late 1990s saw an appreciation for the resilience of the nation-state and acknowledgement that there are differences and power struggles within the state which are related to the contradictory interests within it (Harber, 2001; Fleisch, 2002; Chisholm, 2004; Christie, 2006; Motala, Hoppers & Pendlebury, 2006).

This is best illustrated by the intentions and outcomes of policy (e.g. decentralised authority and local control at schools has been used mainly by middle-class parents to safeguard their own interests in areas such as educator employment), and the unintended consequences of policy (e.g. the increasing equity gap in public schooling through the presence of user fees). Persuasive also are the arguments of Woolman and Fleisch (2006) that key legislation (such as the National Education Policy Act and the South African Schools Act) has created, intentionally or unintentionally, conditions for school choice and market formation in public schooling. The impact of the iterative process of policy review and revision on the nature of resource allocation is important in refining equity in school financing and the pro-poor focus of current policy, and these positive processes must not be under-estimated.

The discourse on finance equity policy also illustrates the number of demands on an emerging democracy that is attempting to meet development goals while facing constraints on the fiscus. All of this provides an important backdrop for how and whether equal education and equity in education have been or can be achieved. The Constitution and various other pieces of legislation have an explicit

notion of equity which includes redress. This research will review whether this notion has been achieved in implementation.