

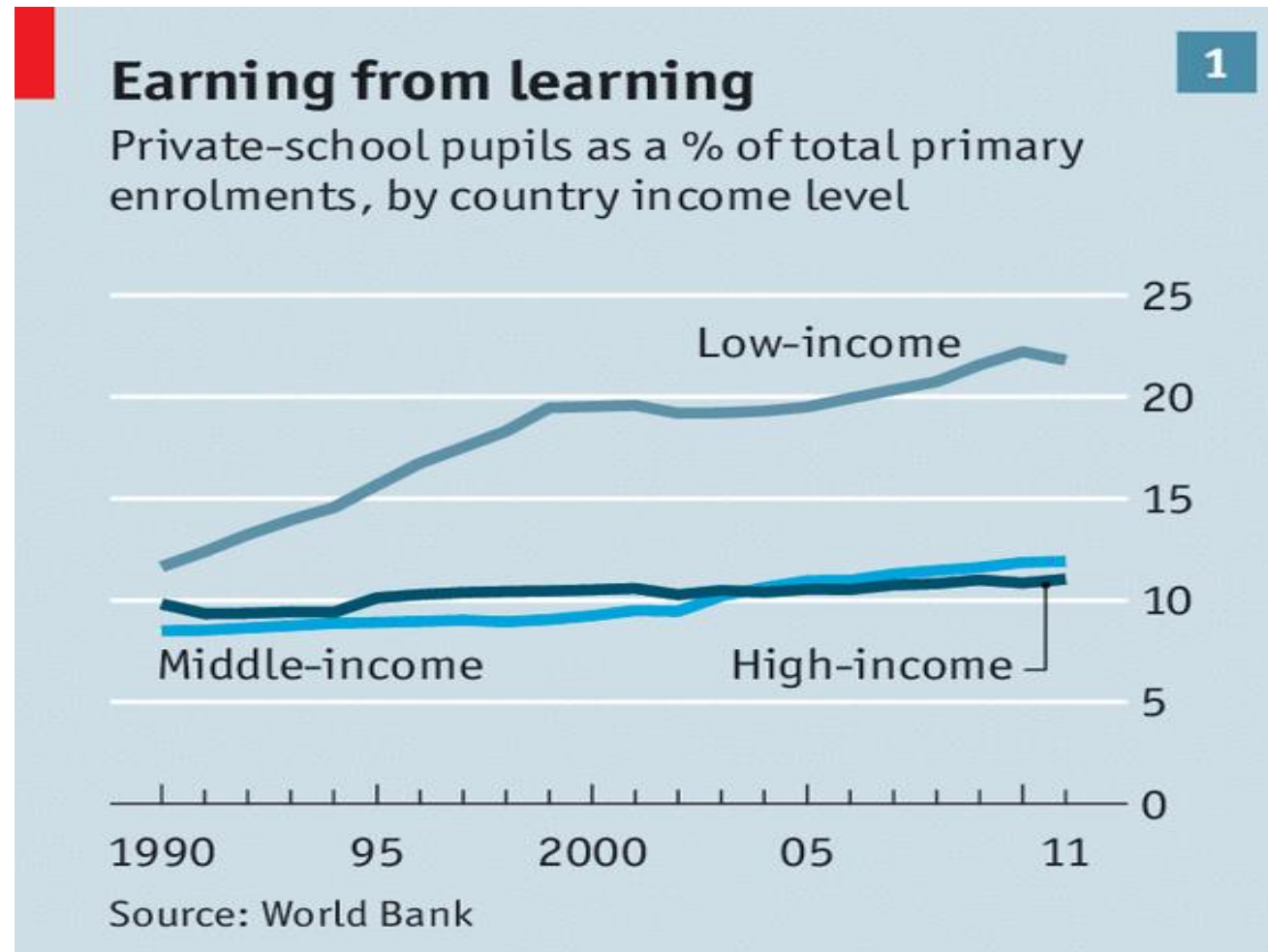
LOW-FEE INDEPENDENT SCHOOLS IN SOUTH AFRICA: Facts, Rights & Challenges

SAOU CONFERENCE

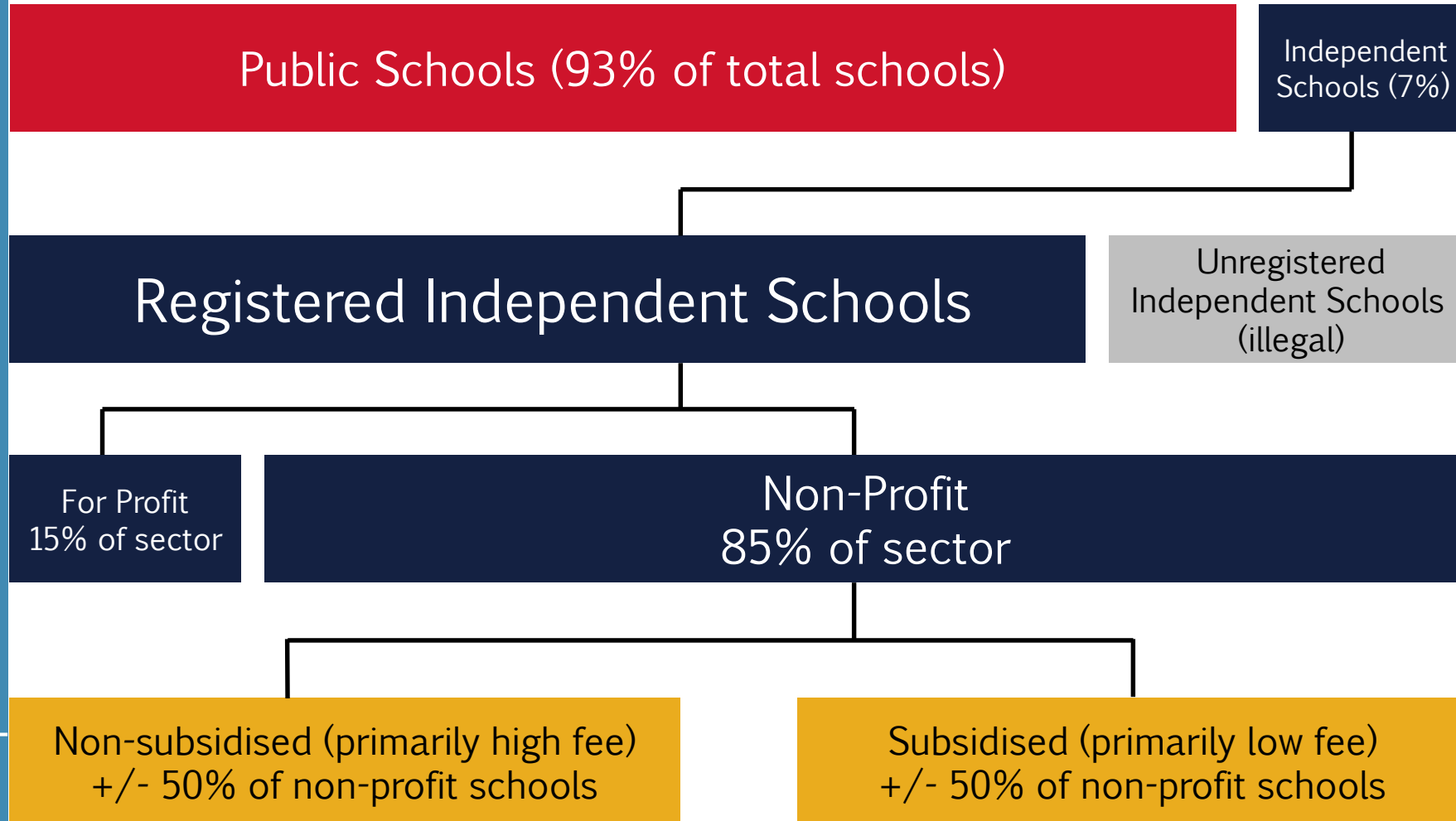
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Growth of Private Education Globally



Independent Schools in SA School System



Diversity and Choice in SA Schooling

- › **Public school sector: little diversity or choice**
 - Only high vs poor quality public schools
 - zoning restrictions limit access
 - Huge transport costs to get to best schools
- › **Independent school sector: diversity & choice linked to fee level**
 - High-fee schools affordable by only elite/upper classes
 - 'Affordable' (for the middle-class) schools (Curro etc)
 - **Low-fee schools (LFIS) with fees below R7500 & R15000**
access for more disadvantaged learners but not poorest

Features of SA Independent Sector

- › **Constitutional protection**
- › Small → **medium size sector** internationally
- › **Most schools are not-for-profit and stand-alone**
- › **Increase in for-profit** and chain schools
- › **State subsidy**: if not-for-profit, low to mid-fee, and meet quality criteria may qualify
- › **Majority of learners black (80%) and female (51%)**
- › **High barriers** to entry
- › **Strictly regulated** with severe sanctions for non-compliance

Rights of Independent Schools

- › **Governance:** not governed by SA Schools Act as public schools, but by King IV and Companies Act
- › **Curriculum and examinations:** free to choose, but must meet minimum outcomes and standards
- › **Admissions:** may set own admission and promotion policies, within limits of Constitution and laws
- › **Ethos:** may follow a specific faith, ethos or educational philosophy (e.g. Montessori, Waldorf)
- › **Staffing:** may appoint own staff, but must be professionally registered
- › **Financial Control:** manage own finances

Best interests of the child are paramount

Trends in Independent School Sector

Since 1995 main trends:

- Rapid growth
- Dramatic demographic change
- Stricter quality controls
- Increasing regulation with high compliance costs
- Growth of school chains
- Innovative models of teaching and learning
- Growth of charitable, social impact and commercial investment

Size of Independent School Sector

➤ Undercounted and unreliable official databases: Why?

- Poor data-collection, out-of-date stats, timing differences, ed depts count schools in different ways
- Unregistered indep. schools not included (some are ‘fly-by-nights’, but many not)

➤ **DBE stats:** in 2016 1 855 registered indep schools = **7.3%** all 25 574 schools

590 352 learners = **4.6%** of total 12,9m learners

➤ **Umalusi: (quality assurer)** in 2013 estimate = 3,500 indep. schools

Size of (LFIS) Sub-sector in SA

- › **Small sub-sector** compared to most developing countries
- › **Not separated out** in SA official statistics
- › Using subsidy categories, CDE estimated **¼ m pupils in 2014**
- › **Average of 4% annual growth**
- › By 2026: 4% annual growth will produce **370,000 LFIS learners**
= another **300 more schools for 120,000 learners**
- › Can obtain **subsidy of 40 – 60%**

LFIS serve many poor learners & steadily growing, but off small base

Growth and Change in IS Sector

➤ Rapid growth

- 2000 - 2012: **IS learners doubled: ¼ to ½m (4% of all learners)**
- 2015 – 2016: **69 new IS (3.9% inc.)**
24 158 more learners (4.3% inc.)

(Lower growth in public sector: 0.8% inc. learners
0.8% decrease in schools)

➤ Huge demographic shift

- Majority white → **± 80% black pupils (64% African)**
- Majority high-fee → **majority mid- and low-fee schools**

Independent Sector Growth in Gauteng

- › GDE statistics: 1995 – 2013 (but database problems)
 - Schools increase: public by 229 to 2056 (12% inc – 80%)
IS by 363 to 593 (157% inc.)
 - Learner increase: public 44.9%
– indep. 294%
 - 2013: 593 indep. schools (203 subsidised, 390 un-subsidised)
 - 146 new school applications for registration
 - 2017: 732 indep. schools, (203 subsidised, 529 unsubsidised)
with more than ¼ m learners

IS = 30% of schools, 12% learners in Gauteng

Growth: Unmet & Differentiated Demand

Demand for 'more, better and different':

- **'More'** - from community needs: e.g.
 - Rapidly expanding urban areas, informal settlements
 - Inner city schools: often overage learners who failed NSC barred from public schools
 - Rural areas where no/too few public schools
- **'Better'** - where lack of good public schools: e.g.

Good learner results, strong values-base, positive discipline, smaller classes, safety, committed teachers, accountability, English
- **'Different'** - a specific parental choice: e.g. faith-based, alternative ed, foreign curricula/exams, language, e-learning

Growth of Chains of Schools

➤ Expansion of established chains:

Advtech: Crawford, Trinity, Junior Colleges, Academies etc.

Reddam: 8 schools

➤ New players, and new investors in chains:

- For-profit: e.g. Curro, Spark, Pioneer, Prestige, PLG, Enko
- Not-for-profit chains: e.g. 2 Oceans Foundation, Love Trust
- New large private sector investors: e.g. PSG, Old Mutual, Pearson
- Significant investment by PIC: e.g. in BASA, Royals, Prestige
- International investment: IFC in Advtech

Types of Independent School Chains

➤ 3 categories:

- **Publicly listed:** AdvTECH, Curro, PLG schools
- **For-profit:** Reddam, Spark, Pioneer, Prestige, etc
- **Not-for-profit:** Vuleka, Get Ahead, Basa, Royals, Leap, Love Trust, 2 Oceans Foundation, African School of Excellence

➤ CDE findings:

- **Only non-profit are truly LFIS** (in 2017– fees less than R15,000)
- Most IS still stand-alone & non-profit but chains growing fast
- For-profit listed chains have both non-profit & for-profit schools

CDE (2015) Financial Viability of LFIS

CDE modelling: 2 'hypothetical' stand-alone schools were financially viable:

- 'no-frills' primary school = good basic education
- innovative secondary school = blended learning, flatter staffing, flexible use of space
- **Non-profit school:** if in 2014, fees = ± R12,000 p.a., 40% subsidy, ± 700 learners, then can pay back 20 year loan of some R32m at 5-10% interest
- **For-profit school chain:** In 2014, if chain of 10 schools, each with R12,000 fees and ±700 learners, can pay back same loan

High learner enrolment and economies of scale critical

Cost to State of Subsidised Independent Schools

Less than 1 % of education budget spent by prov. ed. depts (PEDs) on subsidised independent schools in 2012/13

except

Gauteng with most independent schools (732) = 1.45% of ed budget

Other provinces:

- › KwaZulu- Natal: 0.19% second-most independent schools
(less than its catering budget)
- › Mpumalanga: 0.09% lowest spend

2012/13: if all subsidised independent schools became public schools, extra cost to government of R1.85bn (recurrent costs)

(Cornerstone Economic Research 2013)

Accountability

- **Schools go out of business** if don't deliver quality
- **Registration conditions of PEDs:** significant hurdle
e.g. OHSA, space norms, site-visits, SACE registered teachers
- **Strict requirements of key statutes:** e.g. Companies Act.
Income Tax Act (PBO status requirement)
- **State subsidy requirements:** NPO status, management & financial requirements, learner achievement targets, unannounced inspections, audits
- **Umalusi accreditation:** annual monitoring reports, portfolios of evidence, site-visits and high costs

IS more accountable than public schools

Quality of Independent Schools

Registered IS: generally good

- Regulations and monitored and inspected by Umalusi (and PED)
- If school is member of IS association usually better quality

Subsidised IS generally good:

- Must meet prov. av. pass rates in NSC and ANAs for subsidy
(But in Gauteng: very poor results of 23 schools. Why?
Rewrite matric schools ('finishing schools') for Grade 12 repeaters)

Unregistered IS variable quality:

- In 6 poor areas, CDE found better test results than local PS, less teacher absenteeism and more time-on-task
- Some exploitative 'fly-by-nights'

Future of independent schools

CDE's projection:

- Upwards trend for both for-profit and not-for profit schools
- At all fee levels, independent schools will increase, if
 - poor quality of public schools continues
 - state can't keep pace with rapid urbanisation and migration
 - demand for faith-based, alternative education continues
- Growth by 2026:
 - **IS sector:** if same **74%** increase as in last 10 years =
1,03m learners and some 3200 schools (nearly double)
 - **LFIS:** if **4%** annual increase = 370,000 LFIS pupils = another
120,000 learners in 300 more schools than now

Challenges Facing LFIS (1)

- › **Disabling policy environment:** increasing onerous official requirements, lack of government capacity, hostility in some depts.
- › Affording **high compliance costs:** R270,000 & 1,300 hrs per school
- › Obtaining **premises**
- › Increasing learner intake to achieve **economies of scale**
- › **Accessing affordable capital** for expansion
- › Developing required **management expertise**

Challenges Facing LFIS (2)

- Keeping **fees down and quality up**
- Recruiting, remunerating and **retaining teachers**
- **Increasing competition in sector**
- **Innovation:** new models or “more of the same”?
- **Providing teaching and learning for 21st C in global economy**
- Preserving sufficient **freedom and flexibility to be different**

The Balancing Act

- › Where can SAOU help?



Value-add of LFIS

- **Choice**: ‘more, better or different’ education
- **Access**: in deep rural areas, informal settlements or inner cities, often the only schools available to black pupils
- **Better life chances** for children
- **Good role models**
- **Financial saving for government**
- **‘Test beds’** for innovation
- **Social and human capital** from values-based sound education
- **Outreach assistance** to public schools and poorer LFIS schools