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## **Graduates face differential responsibility to pay ‘black tax’**

### **Policies needed to disrupt intergenerational social inequality**

A large portion of South Africa’s African population remains restricted by intergenerational education and economic disadvantages. Only 10% of African individuals have a high value qualification, and poverty is a daily threat for 76% of South Africans.

In the face of adversity, the support offered by family networks is important in the provision of economic and social security. The recent media discourse on what is colloquially termed black tax highlights the responsibilities that African individuals face to financially support their family networks.

A study conducted by Emma Whitelaw and Dr Nicola Branson in the Southern Africa Labour and Development Research Unit at University of Cape Town (UCT) has found that labour market returns to tertiary qualifications in South Africa are high, but a low share of the population has access to these returns. “Black tax is relevant to South African graduates in particular, since the completion of post-secondary education may come with responsibilities to meet family and household needs through an increased ability to offer financial support.

“Where graduate status further induces responsibilities to offer support over and above income or employment status, graduates may experience a particular manifestation of black tax,” said Branson.

A key component of this study was to re-visit remittance behaviour in light of the potentially increased responsibilities graduates may face to offer financial assistance to family in need.

In rejecting that households pool income for remittance decisions and expenditures, the study found evidence in favour of a collective model of household decision-making. Remittance-sending households do not behave in a way that is consistent with a benevolent household head who redistributes resources according to a combined budget constraint.

Whitelaw added: “The fact that remitters, whether graduates or not, are more likely to be employed and earn incomes that comprise a greater share of household income, compared to those who do not remit, may be indicative of increased bargaining power to select into remitting, or simply that, unsurprisingly, selecting into remitting is strongly determined by the availability of income to remit.”

Of those who do remit, the study found that graduates comprise just over one quarter of these individuals – roughly double the share of graduates in the population.

"Finding that the probability of remitting is higher for graduates, even once individual income is controlled for, is our first indication that graduates face a differential responsibility to remit. Secondly, the fact that graduates' labour market income has a weaker effect on the probability of remitting, compared to other individuals, further suggests that there is an element of responsibility that arises from graduate status alone," Whitelaw pointed out.

Graduate remitters' income is significantly higher than that of other remitters. However, after controlling for determinants of remittance value including individual income, and conditional on remitting, graduate status is not statistically related to the amount sent.

"On the other hand, the relationship between income and amount sent is weaker for graduates versus other remitters. This could suggest that the amount sent by graduates is not as strongly determined by the income they earn, once again consistent with the literature that graduates face a responsibility regardless of their income. Our results further suggest that graduates are more likely to remit to their parents and support more people, versus other remitters in general," said Branson.

Exploratory results on intra-household transfers suggest that informal, private support networks are prevalent within households, and there are potential differences within the household depending on whether or not a graduate is resident.

For example, over half of the children residing with a graduate receive support from that graduate and of those, 16% receive support from a graduate who is not their parent. Children residing with a graduate are significantly more likely to receive support from a parent (whether they are co-resident or not), and significantly less likely to receive no support at all.

Although the researchers cannot explicitly comment on graduate responsibilities within household boundaries, this preliminary evidence suggests that sharing responsibilities within households may manifest differently for graduates too.

Branson concluded: "Our results still have some relevance for policy, including policies aiming to disrupt intergenerational social inequality, policies aimed at altering saving behaviours, as well as policy on the funding of post-secondary education. In this latter regard, our results suggest that post-secondary education financed through a graduate tax, for example, would essentially tax African graduates twice."

[Read the full study](#)

**ENDS**

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