

THE IDEOLOGY OF FREE HIGHER IN SOUTH AFRICA

The Poor and Middle Class Subsidising the Rich

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On Saturday 17 October the Higher Education Summit, organised by the Ministry and the DHET with a broad range of stakeholders issued the *Durban Statement on Transformation in Higher Education*, which after listing significant transformation gains, resolved that in the immediate term seven issues must be addressed. The first three related to unspecified 'initiatives' regarding student funding and debt, fee structures and NSFAS which needed to be strengthened. It concluded by calling for relevant role players to report annually on progress with each of the seven immediate and nine medium term resolutions.¹

On Tuesday 20 October *Eyewitness News*, with a headline "SA Varsities Brought to a Standstill (Cape Town/Johannesburg)"² intimated that the students were reporting back. On Wednesday 21 October the *Eyewitness News* headline screamed "Students Storm Parliament – for the first time in history, stun grenades were fired in the parliamentary precinct when hundreds of students protesting against increased student fees entered the gates through an open gate from Spin Street."³

On Friday 23 October Times Live announced that President Jacob Zuma, after a meeting with student leaders and university officials, following a nationwide protest against increased fees, told a media conference at the Union Buildings "We agreed that there will be a zero percent increase of university fees in 2016."⁴

This was the biggest, and the most effective student campaign in post 1994 South Africa. The strategy of a non-party aligned, no formal leadership mobilisation through internet and mobile phones is remarkably similar to how Manuel Castells in *Networks of Outrage and Hope: Social Movements in the Internet Age* describes the new forms of social movements – from the Arab uprisings to the *Indignadas* movement in Spain and the Occupy Wall Street movement in the US. It is difficult not to think that some of the student leaders must have been reading Castells, and he will be very impressed by them.

¹ <http://www.dhet.gov.za/summit/Docs2015.html>

² <http://ewn.co.za/2015/10/20/Lectures-remain-suspended-as-the-fees-must-fall-campaign-continues>

³ <http://www.timeslive.co.za/local/2015/10/21/Students-storm-parliament>

⁴ <http://www.timeslive.co.za/politics/2015/10/23/Zuma-announces-a-0-increase-in-tertiary-education-fees-for-2016>

But unfortunately, it does not seem that the students have been reading Thomas Piketty⁵ on inequality and wealth.

Free Higher Education Privileges the Rich

The media, the press and not to mention student spokes people slip and slide effortlessly between ‘free higher education for the poor’ and ‘free higher education for all’ – and these are two vastly different concepts, with even bigger implications.

When journalists and radio stations contact me for an opinion, they invariably ask “is free higher education a good idea, and where will the money come from?” The short answer is NO, and there is not enough money in any developing country for free higher education. The examples they usually quote are Norway, Finland and Germany – the richest and most developed countries in Europe. Strangely they never quote Africa and Latin America. As far as I am aware all African countries after independence had national flagship public universities with free higher education. Mahmood Mamdani describes this eloquently ‘the purpose of Makerere University in Uganda was to train a tiny elite on full scholarships which included tuition, board, health insurance, transport and even a ‘boon’ to cover personal needs...from the perspective of the student this is was an extraordinary opportunity; from the view of society, and extraordinary privilege’. (2008; p1)

This generosity to the elite had two consequences. Makerere itself, when it could not afford to pay staff, introduced a two tier system; free public higher education during the day and private fee paying students in the evening. By 2008 Mamdani described this ‘commercialisation’ of Makerere as a devaluation of higher education into a form of low level training with no research (ibid).

The second effect in Africa, and Latin America, was the mushrooming of low quality private “universities” with considerable fee payments for qualifications with a low currency nationally and no value internationally. Who got access into the full scholarship flagship universities? The children of the business and political elite who had gone to the top schools (locally and internationally), and unsurprisingly they top scored on the entrance exams. A few extraordinarily gifted poor students would also get into free higher education, the rest, coming from poor schools, ended up, if they were lucky, in fee paying low quality non-universities. From a more technical economist perspective, Professor Archer from UCT argues that free tertiary education is regressive – poorer members of society end up subsidising the rich.⁶

This is the story of free higher education in Africa and Latin America – and a classic Piketty example of how state strategies, sometimes unintentionally, but more often intentionally,

⁵ Piketty, T (2014) *Capital in the 21st Century*. Harvard University Press.

⁶ Archer, S (2015) Free higher education is an inequality engine. (*Business Day*, 20 October).

privileges the elite. What is cynical in South African is that we are privileging the elite under the banner of a pro-poor policy.

But even in OECD countries, Nicholas Barr⁷ writes that public universities consistently argue that low or no tuition fees provide greater equality of educational opportunity by providing greater access ... but he says, such reasoning is incorrect, because the overwhelming subsidy in public universities accrue to students from the middle and high income families (2004; p.26).

Who in Higher Education is not Delivering??

The students initially aimed their blame for the fee crisis at the universities, and surprisingly the Vice Chancellors, instead of joining the students and organise a march to government headquarters, ended up getting caught between the students and the government. But by Friday 23 October the students marched on Government in Pretoria and to the ANC headquarters. Secretary-General Mantashe expressed the ANC's full support of student demands, asserted that the state must be given more power to regulate universities and strongly criticized university vice chancellors, saying the protest at Parliamentary was the result of their actions.⁸

Government

Empirical evidence shows that the Government (and by implication the ANC) was not blame free. The graph below illustrates rather dramatically how the proportion of student fees on the balance sheets of universities more than doubled, while government contribution rose by 33% (from R15.9 billion to 21.2billion) over 13 years, student fees more than doubled (R7.8 billion to 17.8billion) – the universities did very well in almost doubling third stream income, but clearly used student fees to compensate for the 9% drop in government subsidies.

An international comparison of government contribution to higher education is the percentage of the GDP that is allocated. In South Africa the percentage has varied from 0.68% in 2004/5 to 0.72% in 2015/6. From 2012 data, for Brazil the proportion of GDP is 0.95%, Senegal and Ghana 1.4%, Norway and Finland over 2% and Cuba (a country much admired by the Minister of Higher Education) 4.5%. The budget for higher education for 2015/6 is R30billion, if the SA government spent 1% of GDP on higher education, it would be R41billion – an additional R11billion, which is almost four times more than the reported short fall due to the zero percent increase.⁹

⁷ Barr, N Higher Education Funding, *Oxford Review of Economic Policy*, 20(2): 264-283.

⁸ <http://ewn.co.za/2015/10/22/Mantashe-criticises-university-vice-chancellors>

⁹ <https://www.enca.com/south-africa/government-needs-r26-billion-fund-no-fee-hike-nzimande>

NSFAS

The first recommendation from the National Commission on Higher Education in 1995 was that government should establish a national student financial aid system, and government responded immediately. During its first phase NSFAS became a much admired student grant and loan scheme, delegations from a number of countries came to study this scheme- there were, and are, very few successful student financial aid schemes in the third world.¹⁰

However, as the scheme grew, by 2008 there were administrative problems, in the head office and particularly at some universities. Following the establishment of the new Department of Higher Education and Training (DHET) Minister, Blade Nzimande instructed all Board Members, who were in the middle of a NSFAS Review process and implementation of a Turnaround strategy to resign. In a recent *PoliticsWeb* article¹¹ Floyd Shivambu, a board member during that period, described how he was approached by the new Director General of DHET and in a comradely manner asked to step down because the minister wanted to introduce free higher education and needed to appoint experts to implement this. Instead the Minister appointed a well know communist party member with no expertise in this area. This was followed by a purge of people with skills; some forced to leave, others left voluntarily due to what one senior staff member described as the de-professionalization of NSFAS.

The next serious blow to NSFAS was that the Minister reduced their powers to collect debt, resulting in a dramatic drop in loan recovery. But, the Minister also dramatically increased government contribution to NSFAS. The combination of de- capacitating the organization, reducing its debt collecting powers and flooding it with new money is 101 of bad business management. During May 2015 Minister Nzimande announced an investigation to corruption at NSFAS¹² and treasury is doing a review.

The logic underpinning this kind of political administration is that there is an attitude problem that leads to a lack of transformation or the implementation of progressive policies. The remedy is to appoint party cadre's with the correct politics, but it ignores the importance of specialized expertise to implement progressive policies – dysfunctional organizations can't implement progressive polices. Instead such organisational climates promote corruption rather than transformation. It was a cynical touch to tell Mr Shivambu that they wanted to replace him with an "expert".

DHET

In 1996 the NCHE expressed concern that the Department of Education would not have the capacity to implement the transformation. While the debate about how much they transformed the system is still on, the new director general was an esteemed academic and

¹⁰ Barr (op cit.).

¹¹ <http://www.politicsweb.co.za/news-and-analysis/listen-to-the-kids--floyd-shivambu>

¹² <http://ewn.co.za/2015/05/14/Nsfas-corruption-investigation-begins-in-May>

ex-vice chancellor and the deputy director general a well known deputy vice chancellor from UWC who had also served on the NCHE. And the Ministers advisor is now a Professor of Higher Education Studies at NYU. In addition to capacity in the department, they seconded in a senior planner from UCT and the vice chancellor for finances (and one of the country's most famous professors of accounting) from Wits.

But, in 2009 exactly the same logic, and strategy, that operated at the restructuring of NSFAS underpinned the formation of the DHET. A number of senior positions were filled according to party affiliation, not established expertise in the sector. Instead of seconding expertise, important, and high skill tasks were outsourced to a NGO closely affiliated to the Minister and his advisor (a former school teacher). This NGO has no recognised experience or expertise in the university sector. Apart from muddled Green and White Papers, and the fact that there is no new National Plan for Higher Education since 2001, of particular concern is financial management.

This looming financial crisis was amongst others, not identified and acted upon because of the lack of financial analysis expertise within the DHET. The financial reporting system is in the words of a Professor of Accounting 'broken'. It does not accurately reflect the financial state of the institutions, nor does it allow for a diagnostic analysis of the financial health of the universities. There are no clear indicators in the reporting system about which institutions are heading for a financial crisis and there is not even an accurate reflection of student debt, nor a realistic assessment of the proportion of debt that could be recovered. Typical of a low capacity government department, the DHET is now proposing that universities must produce financial reports twice a year, but they don't have the capacity to analyse the current annual reports!

Universities South Africa

In July 2015 the South African Vice Chancellors relaunched their organisation formerly known as Higher Education South Africa. The opening statement of Universities South Africa declares "In our pursuit of sufficient consensus on the issues and challenges confronting our universities, we will be more consultative and more inclusive of the variety of interests and constituencies within the university sector and beyond. We are adopting a more activist stance".¹³ Any organisation that relaunches signals that there are problems and two words in the statement is illuminating – consensus and activism. This organisation has for years been deeply divided between historically advantaged and historically disadvantaged, and more recently, added more tensions with the competition between traditional universities vs universities of technology. Access to resources, responding to differentiation and taking on government about funding are all issues that have deactivated the organisation.

¹³ http://www.newssite.co.za/dhen/Universities_South_Africa_Media_Release_24%20July%202015.pdf

In a report dated February 2008 HESA expressed support for self-regulation and objected to government suggestions about regulating fees by raising amongst others the following issues:

- The setting of upper limits on fees will impact negatively on the autonomy and flexibility of individual higher education institutions.
- Capping tuition fees will not necessarily improve access for the poor, but may instead lead to higher education becoming cheaper for the rich.
- The capping mechanism will discourage institutional differentiation and will actively advance institutional homogenisation.

When President Zuma announced on 23 October 2015 that there will be zero fee increases, the Chair of Universities South Africa was at his side. One wonders how the abandoning of their position of self regulation squares with the new 'activism'?

What is clear from the above is that the main actors in the student fee crisis; Government (national treasury), DHET, NSFAS and Universities South Africa have not only let this problem develop, none of the key actors involved seem to be ready, or capable, to take the lead in addressing the problem.

A war room for differentiated fees

What could be done so that higher education does not become a SAA or Eskom that require annual bailouts?¹⁴ Perhaps getting the lights back on at ESKOM provides some pointers. A 'war room'¹⁵ was established under the Deputy President comprising of representatives from a number of other ministries, experienced business leaders and even the odd academic, the top management structure of ESKOM stepped aside and an interim leadership was installed. The aim is not only to get the lights back on, but to work out a sustainable strategy. The same Deputy President is not unfamiliar with higher education funding, he was involved in the DHET 2014 review of funding to universities.

One task for such a war room would be quite simple, but very hard to implement politically, namely that Government must increase funding for higher education from 0.7% to a more internationally comparable rate of one percent of GDP. A more complex issue is whether the additional money should go to NSFAS or to the institutions directly – there is an argument that if it goes to NSFAS with government regulating fees, then the system will be on a cyclical bailout path.

More complex, and also very difficult to implement will be a differentiated fee system. What is easy, and morally defensible, is free higher education for the really poor, say annual income under R120 000. Nowhere in the developing world are loans for this group

¹⁴ The multi-billion rand bailouts of SAA, ESKOM and PetroSA are part of the reason why there is no readily available cash for higher education.

¹⁵ <http://www.timeslive.co.za/local/2015/03/20/business-leadership-meets-ramaphosa-in-the-war-room-over-eskom>

successful because loan schemes depend on high graduate employment (and we know both the greatest failure rates and the greatest graduate unemployment are amongst the poor) and secondly, many of the poor work in the informal sector where it is very difficult to collect taxes and debt.¹⁶

Also not that complex to implement, and morally very defensible, is that the rich must pay more. While it was laudable that the 'sons of strugglers' marched with posters demanding free higher education, they should have carried a second poster which said WE WILL PAY MORE.' If one assumes that the income of their families are around R1million, then paying around R80 000 (NSFAS estimates of average annual total fee and living costs) is less than 10% of their income. If these students went to the UK or the USA they would pay three to five times more. A CHET study¹⁷ on the PhD found that one of the reasons for the influx of students from the rest of Africa to South Africa doctoral programmes, is that at South African university ranked by Shanghai in the top 500 in the world, it costs just over \$10 000 for a year of fulltime study, in the UK it would cost around \$30 000 and at a top US university over \$50 000! From Piketty's lens it is perhaps not surprising that in the world's most unequal country, higher education for the rich is almost free.

¹⁶ Barr (op cit.).

¹⁷ Cloete N, Mouton, J & Sheppard C (2015) *Doctoral Education in South Africa*. Cape Town: African Minds.
<http://www.africanminds.co.za/dd-product/doctoral-education-in-south-africa/>