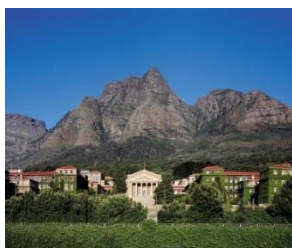


The flawed ideology of 'free higher education'

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The University World News

Issue No:389



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On Saturday 17 October 2015, the [Second National Higher Education Summit](#), organised by South Africa's Department of Higher Education and Training together with a broad range of stakeholders, issued the *Durban Statement on Transformation in Higher Education*. After listing significant transformation gains, the statement resolved that seven issues must be addressed immediately.

The first three related to unspecified 'initiatives' regarding student funding and debt, fee structures and the National Student Financial Aid Scheme or NSFAS, which needed to be strengthened. The statement concluded by calling for relevant role-players to report annually on progress with each of the seven immediate and nine medium-term resolutions.

On Tuesday 20 October, [Eyewitness News](#), with the headline "SA varsities brought to a standstill", intimated that students were reporting back.

On Wednesday 21 October, the [Times Live](#) headline screamed "Students storm parliament", followed by: "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."

On Friday 23 October, [Times Live](#) reported that President Jacob Zuma, after a meeting with student leaders and university officials, told a media conference at the Union Buildings in Pretoria: "We agreed that there will be a 0% increase of university fees in 2016."

This was the largest and most effective student campaign in post-1994 South Africa.

The strategy of a non-party-aligned, no-formal-leadership mobilisation through social media is

remarkably similar to how Manuel Castells, in *Networks of Outrage and Hope: Social movements in the internet age*, describes new forms of social movements – from the ‘Arab Spring’ to the Indignadas movement in Spain and the Occupy Wall Street movement in the United States.

One imagines that some student leaders must have been reading Castells, and he would be very impressed by them.

Unfortunately, it does not seem that the students have been reading Thomas Piketty’s 2014 book on inequality and wealth, *Capital in the Twenty-First Century*.

Free higher education privileges the rich

The media and student spokespeople slip and slide effortlessly between ‘free higher education for the poor’ and ‘free higher education for all’. These are two vastly different concepts.

When journalists and talk show hosts 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 cite are Norway, Finland and Germany – the richest and most developed countries in Europe – but never Africa or Latin America.

As far as I am aware, following independence, all African countries had national, flagship public universities offering free higher education. In his 2008 book *Scholars in the Market Place: The dilemmas of neo-liberal reform at Makerere University*, Mahmood Mamdani describes this eloquently:

“The purpose... 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 was an extraordinary opportunity; from the view of society, an extraordinary privilege.”

This generosity to the elite had two consequences.

First, when Makerere University could not afford to pay its staff, it 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.

The second consequence was the mushrooming of low-quality private 'universities', which charged exorbitant fees for qualifications with a low currency nationally and no value internationally.

Who got access to the full scholarship flagship universities? The children of the business and political elite who themselves had gone to top schools locally and internationally. A few extraordinarily gifted poor students also gained entrance into free higher education. The rest, coming from poor schools, ended up (if they were lucky) in low-quality, fee-paying non-university institutions.

From a more technical economist perspective, Sean Archer from the University of Cape Town argues that free tertiary education is regressive: poorer members of society end up subsidising the rich.

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, privilege the elite.

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

In the 2004 article "Higher education funding" in *Oxford Review of Economic Policy*, Nicholas Barr pointed out that even in OECD countries, public universities consistently argue that low or no tuition fees provide greater equality of educational opportunity by providing greater access.

But, says Barr, such reasoning is incorrect, because the overwhelming subsidy in public universities accrues to students from middle- and high-income families.

Who is not delivering?

Initially, students targeted the blame for the fee crisis at universities. Instead of joining the students and taking the protest to government headquarters, vice-chancellors got caught between the students and the state.

But by Friday 23 October, students marched on government in Pretoria and to the headquarters of the ruling African National Congress, or ANC.

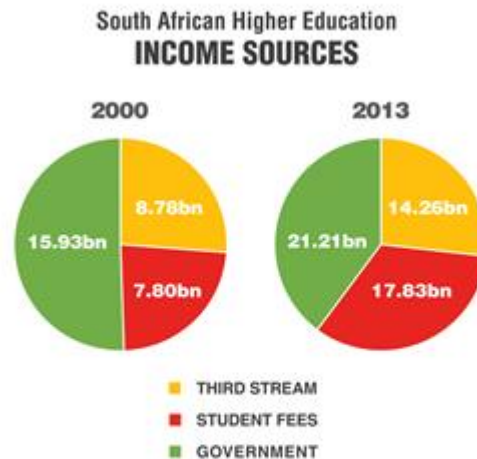
ANC Secretary General Gwede Mantashe expressed the ANC's full support for student demands, asserting that the state must be given more power to regulate universities, and he [strongly criticised vice-chancellors](#), saying that the protest at Parliament was the result of their actions.

Government's inadequate contribution

Empirical evidence shows that the government – and by implication the ANC – was not without blame.

The graph below illustrates how the proportion of student fees on the balance sheets of universities more than doubled over 13 years, from R7.8 billion (US\$562 million) to R17.8 billion, while the government contribution rose by 33% from R15.9 billion to R21.2 billion.

Universities did well in almost doubling third-stream income, but clearly used student fees to compensate for the 9% drop in government subsidies.



Source: Department of Higher Education and Training. Financial statement and annual reports submitted by universities.
Compiled by Charles Sheppard / Graphic by Centre for Higher Education Trust

An international comparison of government contribution to higher education is the percentage of gross domestic product, or GDP, that is allocated. In South Africa, the percentage has varied between 0.68% in 2004-05 to 0.72% in 2015-16.

From 2012 data, the proportion of GDP for Brazil is 0.95%, Senegal and Ghana 1.4%, Norway and Finland over 2% and Cuba 4.5%.

In South Africa, the 2015-16 budget for higher education is R30 billion. If the government were to spend 1% of GDP on higher education, this would amount to R41 billion – an additional R11 billion and almost **four times the reported shortfall** due to the 0% increase.

Decapitating NSFAS

During its first phase in the 1990s, the National Student Financial Aid Scheme, or NSFAS, became a much-admired student grant and loan scheme and was studied by a number of countries. Nicholas Barr points out that there have been few successful student financial aid schemes in developing countries.

However, as the scheme grew, by 2008 there were administrative problems at head office and particularly at some universities.

Following the establishment of the Department of Higher Education and Training, or DHET, in 2009, the Minister of Higher Education and Training Blade Nzimande instructed all board members to resign, although they were in the middle of a NSFAS review and implementation of a turnaround strategy.

Floyd Shivambu, a board member during that period, has [described](#) how he was approached by the new director general of DHET and asked to step down because the minister wanted to introduce free higher education and needed to appoint experts to implement this.

What the minister – also leader of the Communist Party of South Africa – actually did was appoint a 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-professionalisation' of the NSFAS.

NSFAS took another blow when Nzimande reduced its powers to collect debt, resulting in a dramatic drop in loan recovery – from a height of R638 million in 2010-11, the year the new 'experts' took over – to R248 million in 2014-15, according to a DHET paper prepared for the recent National Higher Education Summit.

At the same time, however, he dramatically increased funding available to NSFAS from R1.5 billion in 2010 to R3.9 billion in 2014. The combination of de-capacitating the organisation, reducing its debt-collecting powers and flooding it with new money, is 'Bad Business Management 101'.

In May 2015, Nzimande [announced](#) an investigation into corruption at NSFAS and the Treasury is conducting a review.

The logic underpinning this kind of political administration is that there is an attitude problem that leads to a lack of transformation. The remedy is to appoint party cadres with the correct politics, but ignore the importance of expertise to implement progressive policies.

Dysfunctional organisations cannot implement progressive policies. Such organisational climates promote corruption rather than transformation.

Lack of financial analysis skills in DHET

In 2009, exactly the same logic and strategy that underpinned the restructuring of NSFAS was applied to the formation of the new DHET. A number of senior positions were filled according to party affiliation rather than established expertise in the sector.

Important high-skill tasks were outsourced to an NGO with no recognised experience or expertise in the university sector that was closely affiliated to the minister and his advisor. Apart from muddled Green and White Papers, and the fact that there has been no new national plan for higher education since 2001, of particular concern is financial management.

This looming financial crisis was not identified and acted upon because of, among other things, 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 institutions, nor does it allow for a diagnostic analysis of their financial health. There are no clear indicators in the reporting system about which institutions are heading for a financial crisis, and there is not an accurate reflection of student debt or a realistic assessment of the proportion of debt that could be recovered.

Typical of a low-capacity government department, DHET is now proposing that universities must produce financial reports twice a year, when it does not have the capacity to analyse the current annual reports.

Universities South Africa and its 'activist' stance

In July 2015, South African vice-chancellors relaunched their association, Higher Education South Africa, or HESA, as Universities South Africa, which in its [opening statement](#) declared:

"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.”

Any organisation that relaunches signals that there are problems, and the words ‘consensus’ and ‘activism’ in the statement are illuminating.

For years, the organisation has been deeply divided between the historically-advantaged and historically-disadvantaged and, more recently, divides between traditional universities and universities of technology. Access to resources, responding to differentiation, and taking on government about funding, are all issues that have deactivated the organisation.

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

Setting 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 would be a 0% fee increase, the chair of Universities South Africa was at his side.

The 2013 Report of the Ministerial Committee for the Review of the Funding of Universities, supported by Universities South Africa, recommended that capping fees should not be implemented, as quality would suffer and universities would not be in a position to cross-subsidise financially needy students through university-funded student bursaries.

The data shows that in 2011 more than R1 billion was made available by universities as financial aid bursaries to undergraduate and postgraduate students. These funds are channelled to bursaries from trust funds, donor funding etc as well as from student fee income.

A total of 478,194 undergraduate and postgraduate students were financially assisted by universities from 2007 to 2011. If student fees are capped, universities would not be able to continue this practice of cross-subsidisation within institutions.

What is clear 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, but none 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 like state companies such as South African Airways, electricity provider Eskom or PetroSA? Their multi-billion rand bailouts are part of the reason why there is no readily available cash for higher education.

Perhaps the Eskom electricity shortage crisis provides some pointers. A 'war room' was established under the country's Deputy President Cyril Ramaphosa comprising representatives from a number of ministries, business leaders and a few academics.

The aim was not only to get the lights back on, but to work out a sustainable strategy. Ramaphosa 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 for higher education would be quite simple, but very hard to implement politically – for government to increase higher education funding from 0.7% to a more internationally comparable rate of 1% of gross domestic product.

A more complex issue is whether the additional money should go to the NSFAS or to universities 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, would be a differentiated fee system.

What is easy and morally defensible is free higher education for the very poor – for example, an annual income below R12,000.

Nowhere in the developing world are loans for this group successful because loan schemes depend on high graduate employment, and we know that the greatest failure and graduate unemployment rates are among the poor. Furthermore, many of the poor work in the informal sector where it is very difficult to collect taxes and debt, according to Barr.

Also not that complex to implement, and morally very defensible, is that the rich must pay more. While it was laudable that the children of anti-apartheid struggle veterans 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 annual income of their families is around R1 million, then paying R80,000 – NSFAS estimates of average annual total fee and living costs – would be less than 10% of their income. If these students went to the United Kingdom or the United States they would pay three to five times more.

Through Piketty's lens, it is perhaps not surprising that in the world's most unequal country, higher education for the rich is almost free.

The missing middle

By far the most complex group is what NSFAS insiders call the 'missing middle' and *The Argus* referred to as 'gap' families in a 2 November article titled "Not poor enough for student financial aid". This group of students do not qualify for NSFAS funding, and at the lower middle-class end, not easily for bank loans.

The Argus described in detail a middle-class family comprising a mother as teacher, a father as a media worker and two girls at two Cape Town tertiary institutions that are not among the expensive universities. It shows that their living costs in the lower middle-class suburb of Brackenfell amounts to around R17,000 per month, and their combined income is R20,000 – this leaves R3,000 for entertainment and education.

The article also shows that having two children in tertiary education – rather than only one – is not only unaffordable, but it also counted against them getting financial assistance. China had a one child policy; in South Africa if you are in this middle group you can have many children, but only one at university.

Matthew Lester, a professor of tax at Rhodes University, [shows](#) that for the about half a million South Africans who earn more than R500,000 per annum university education is very affordable, for the rest it "is beyond the means of most South African households".

For the rich, higher education in South Africa is a bargain, for the gifted poor it is affordable through financial aid, but if the middle is missing then South Africa is heading for one of two scenarios: Arab Spring type uprisings or, as Piketty hinted, a more serious French style revolution.

The 'missing middle' is not only the backbone of higher education worldwide, but a productive and well-educated middle class is also the glue that holds society together.

'Free Higher Education' sounds revolutionary and is an appealing mobilising 'cry'. But in a developing country it is financially, empirically and morally wrong – the poster should read "Affordable higher education for all" – with a clear understanding that affordable means different costs for different groups in society.

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