



Presentation to the Commission of Inquiry into Higher Education and Training

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1. Introduction

- Investing in our youth as a nation to develop their full potential has benefits for society in increased capacity, better governed institutions, entrepreneurship, and economic prosperity
- Aspirations by individuals to benefit from HE flow from the recognition that it is a ticket to a prosperous future, to realise and develop an individual's full potential
- Legacies of inequality, discrimination and deprivation continue to weigh heavily across all sectors of our society – one of the expressions of this is in the demand for fee-free higher education
- Costs of higher education have risen exponentially, making it unaffordable for many in our society
- Declining funding over time has placed increasing strain on University finances
- Planning, funding and growth of the PSET system [not HE alone] must give attention to how access, support and funding will be provided, especially to the poor and 'missing middle' across the PSET sector
- Debatable whether fee-free higher education is the route to go – The rich and affluent should pay so that more public resources can be diverted to fund the poor optimally

2. Undesirable Pathways for the CHE

- As the Quality Council for HE, any policy, planning or funding decisions which respond to the challenges of accessibility, affordability and funding for poor and 'missing middle' students that lead to an erosion of the quality of provision will be highly undesirable
- Decisions on funding of universities, fees, and fee adjustments which threaten the sustainability of our HE institutions will inevitably lead to a decline in quality, and are therefore also highly undesirable
- The net result of declining funding and/or diverted funding to resolve the immediate political problems around fees, their effect on the sustainability of Universities, the impact on quality, and the concomitant effect on the value and stature of HE qualifications, leading to diminishing returns for all, is highly undesirable

3. Commitment to social justice

- A central objective of transformation in higher education is equitable access with success, and quality [of the educational experience, facilities, teaching and learner support, etc.]
- Equitable and increased access remain central policy, planning and funding imperatives, BUT should not come at the expense of quality
- Unequal patterns of access and affordability coupled with enabling conditions for success, are at the centre of the immediate and future challenge – barriers for the poor and less affluent are fundamentally about funding – of fees, living expenses and other costs of study
- Resistance by students to accumulation of massive debt

4. Purposes of higher education

- It is recognized, even though contested, that HE is both a private and public good
- HE accrues benefits to both the individual and the broader society
- For the individual it leads to greater opportunities and earning power
- For society, it contributes to socio-economic, cultural and other forms of development that society benefits from – correlation between levels of investment in HE and economic development
- State subsidization of HE is therefore desirable and necessary to promote development and help its citizens realise their full potential

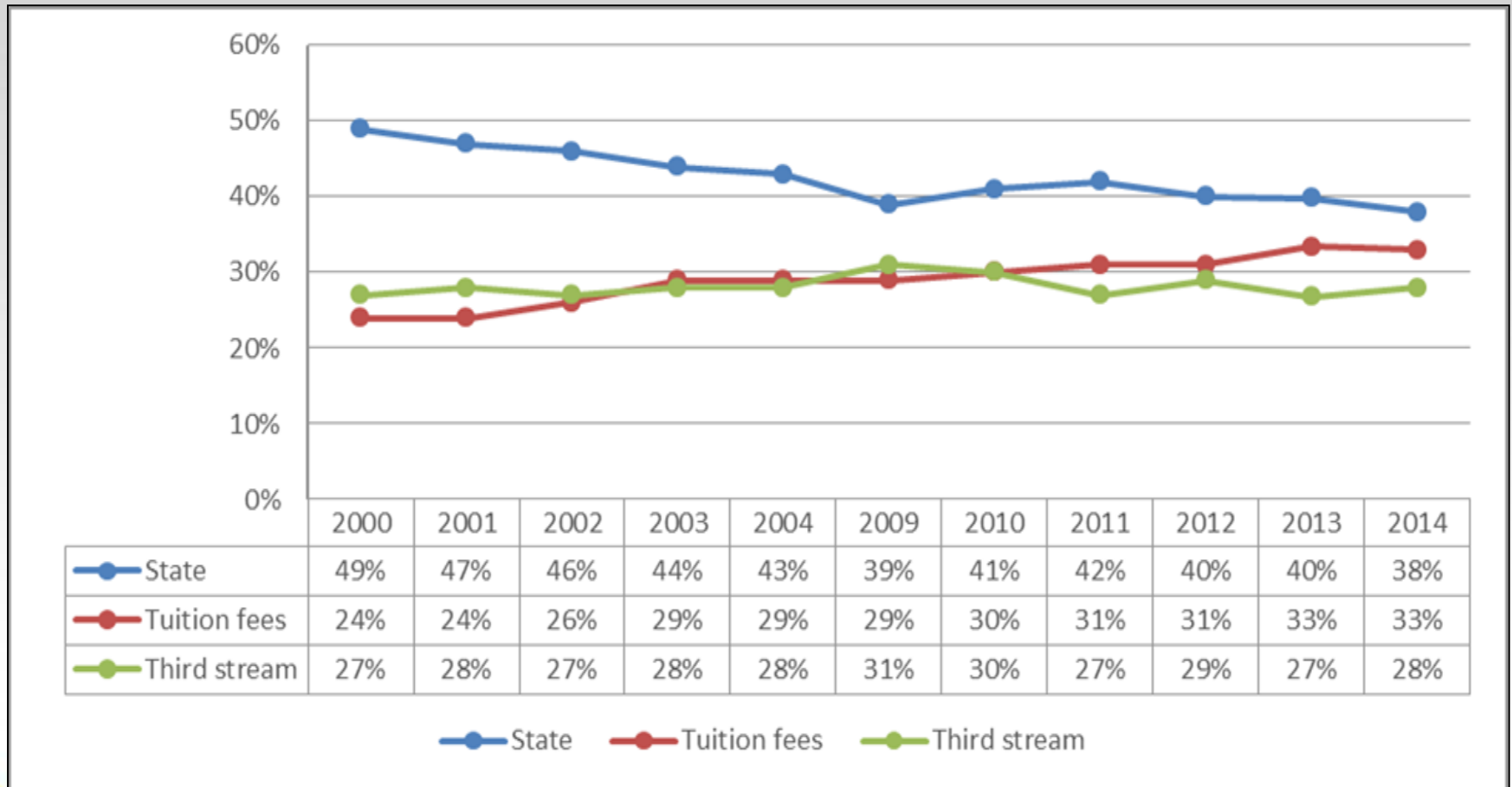
5. A Sub-system within a broader system

- The funding of HE cannot only be about funding university students
- There is a need for equitable funding across the PSET and schooling system – many of the poor in the PSET sector are not on the radar in the public debates – [NEETs]
- Particular attention must be paid to laying a solid foundation from the ECD stage
- Equally important to invest in TVET and Community College sectors – HE must be funded adequately, so must the TVET and College sectors and the poor in these sub-sectors

6. Context of consistent underfunding

- Consistent underfunding has led many universities into dire financial straits – a situation that has been exacerbated by the 0% fee increase in 2016.

Proportional disaggregation of institutional funding per source from 2000 to 2014



Source: Audited financial statements of the universities for the period 2000/01 to 2014/15. Pretoria: DHET

5. Quantum of need

Enrolment target of 1.6 million by 2030

216 000 extra beds are currently needed in higher education. This will grow to 400 000 by 2030

The financial aid system will need to expand dramatically to assist those entering the colleges.

186 150 students of the 969 154 (nearly 20%) were funded by NSFAS in 2014

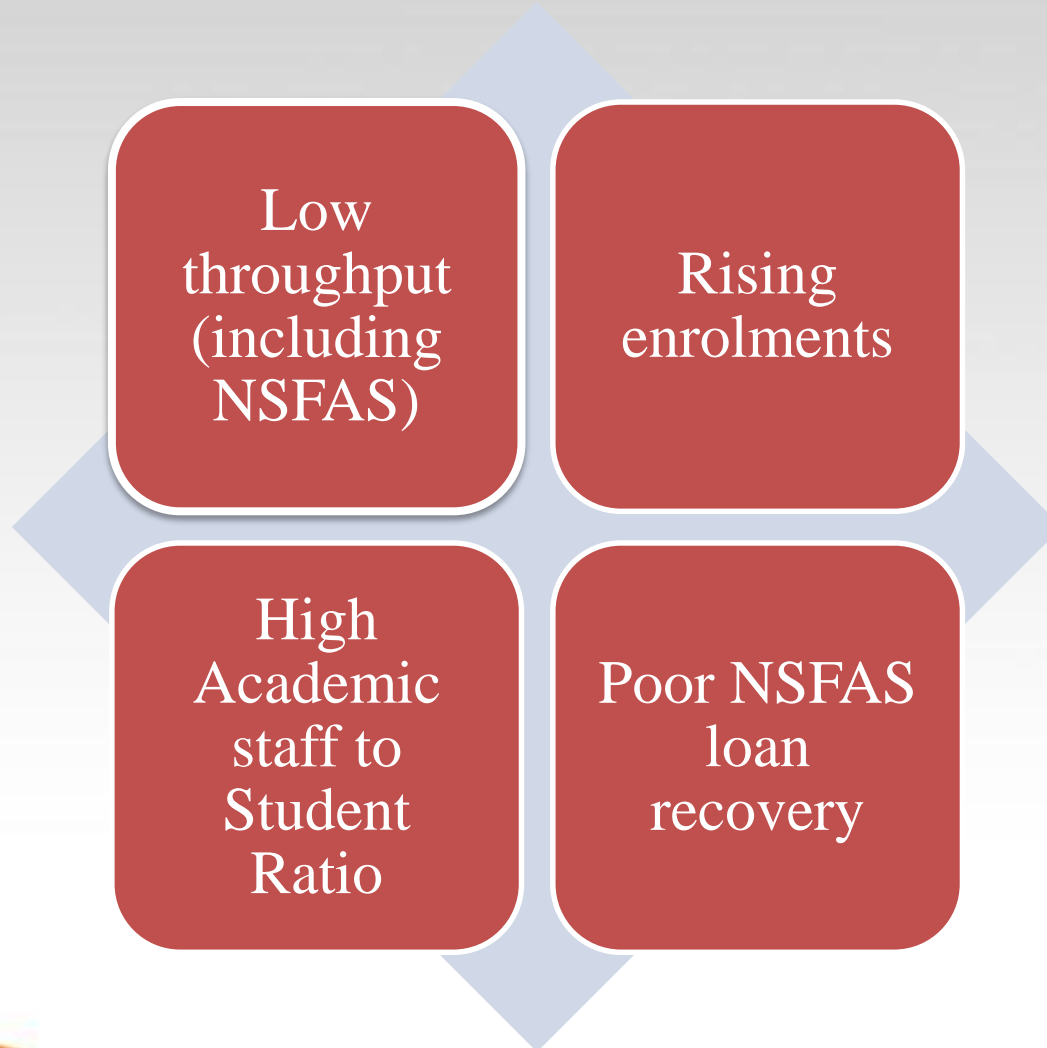
At some universities, students currently receiving financial aid already constitute over 50% of the student body

Can the wealthy subsidise poor students?



The next question to ask is... **“If the system and all HE students were to be adequately funded, would all be well?”**

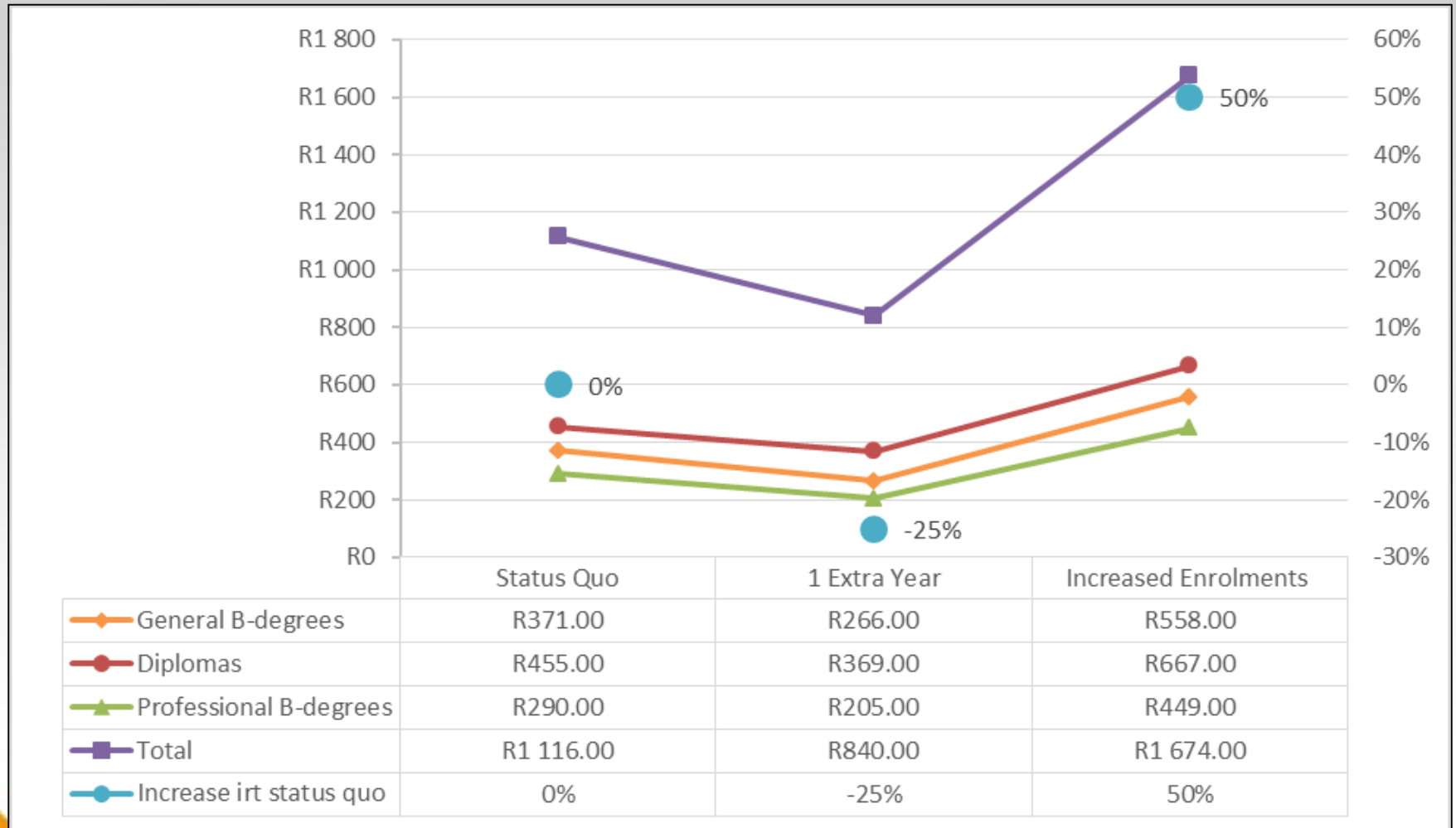
6. Systemic inefficiencies in HE



6.1. Low throughput

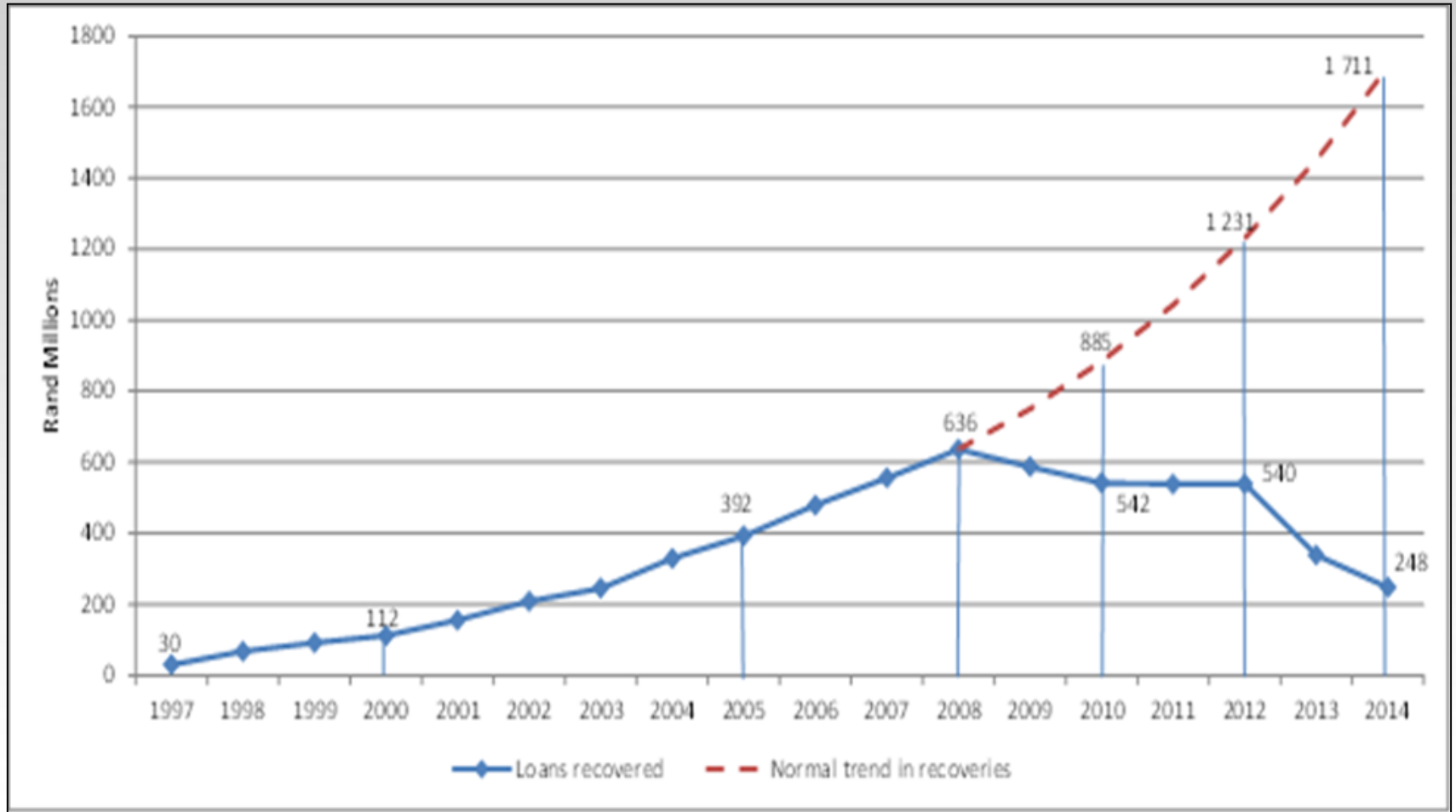
- The inefficiency in the current way our higher education system functions is indicated in the quantum of subsidy that does not lead to the achievement of a qualification for students.
- Cohort studies over a number of years indicate that of those students entering to study for a 3-year bachelor's degree, for instance, less than half will have achieved that qualification within 6 years.
- With sufficient developmental attention and support to assist more students to graduate, this could be significantly reduced.

Unproductive use of subsidy in a single cohort, by qualification type and scenario (in millions of Rand)



Source: A Proposal for Undergraduate Curriculum Reform in SA (CHE, 2013)

NSFAS loan recoveries versus a normal growth trajectory

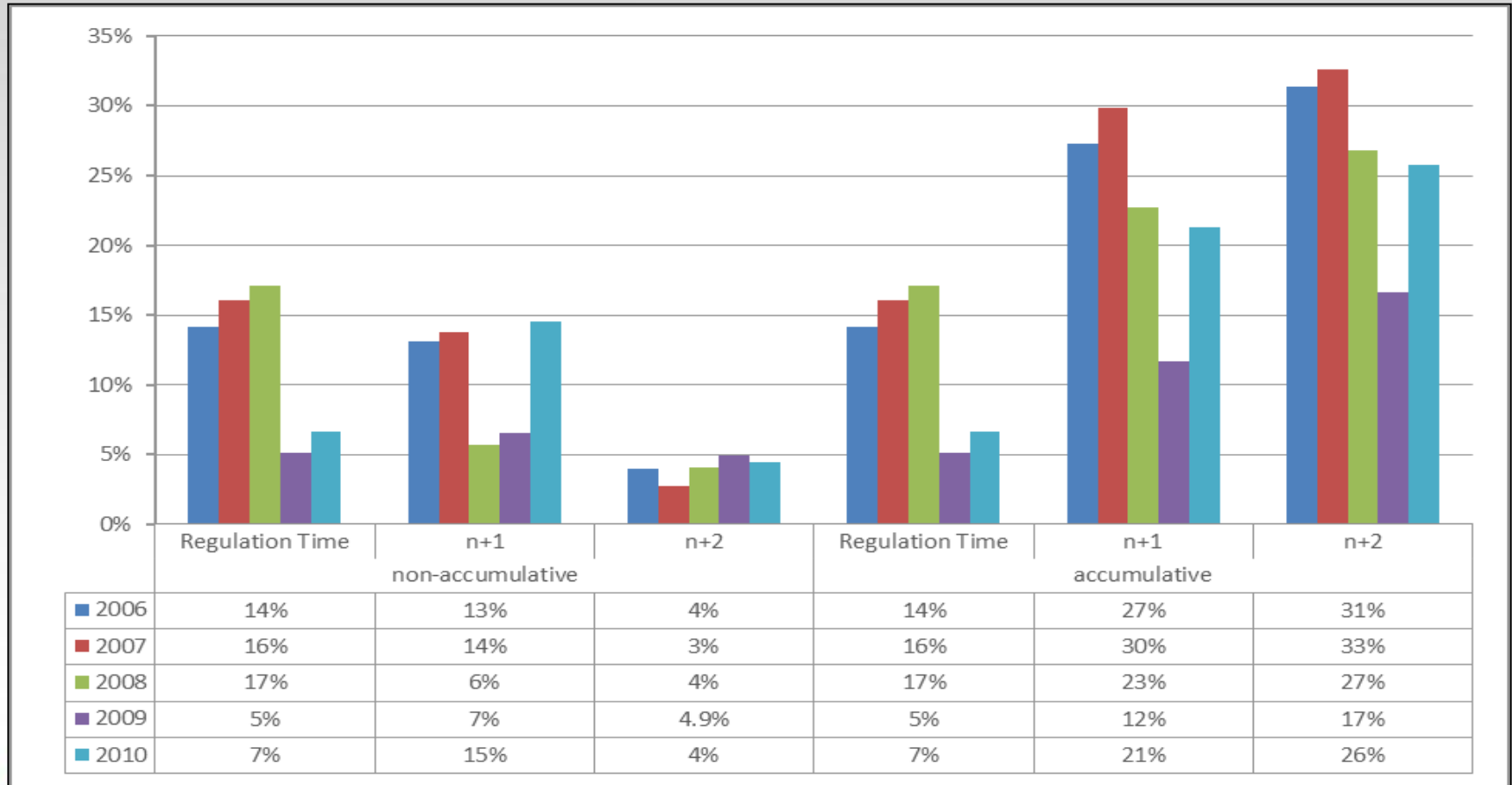


Source: National Treasury (2015) *NSFAS Performance and Expenditure Review (PER)* (draft report).

6.2. Even poorer NSFAS throughput

- Cohort studies show that throughput rates for NSFAS students are very low
- The number of funded graduates in a position to pay back debt owing has an impact on the replenishment of the amount able to be disbursed.

Throughput rates of NSFAS students for 3-year degrees with first year of enrolment in 2006, 2007, 2008, 2009 and 2010 finishing within regulation time, up to year n+2 (excluding UNISA)

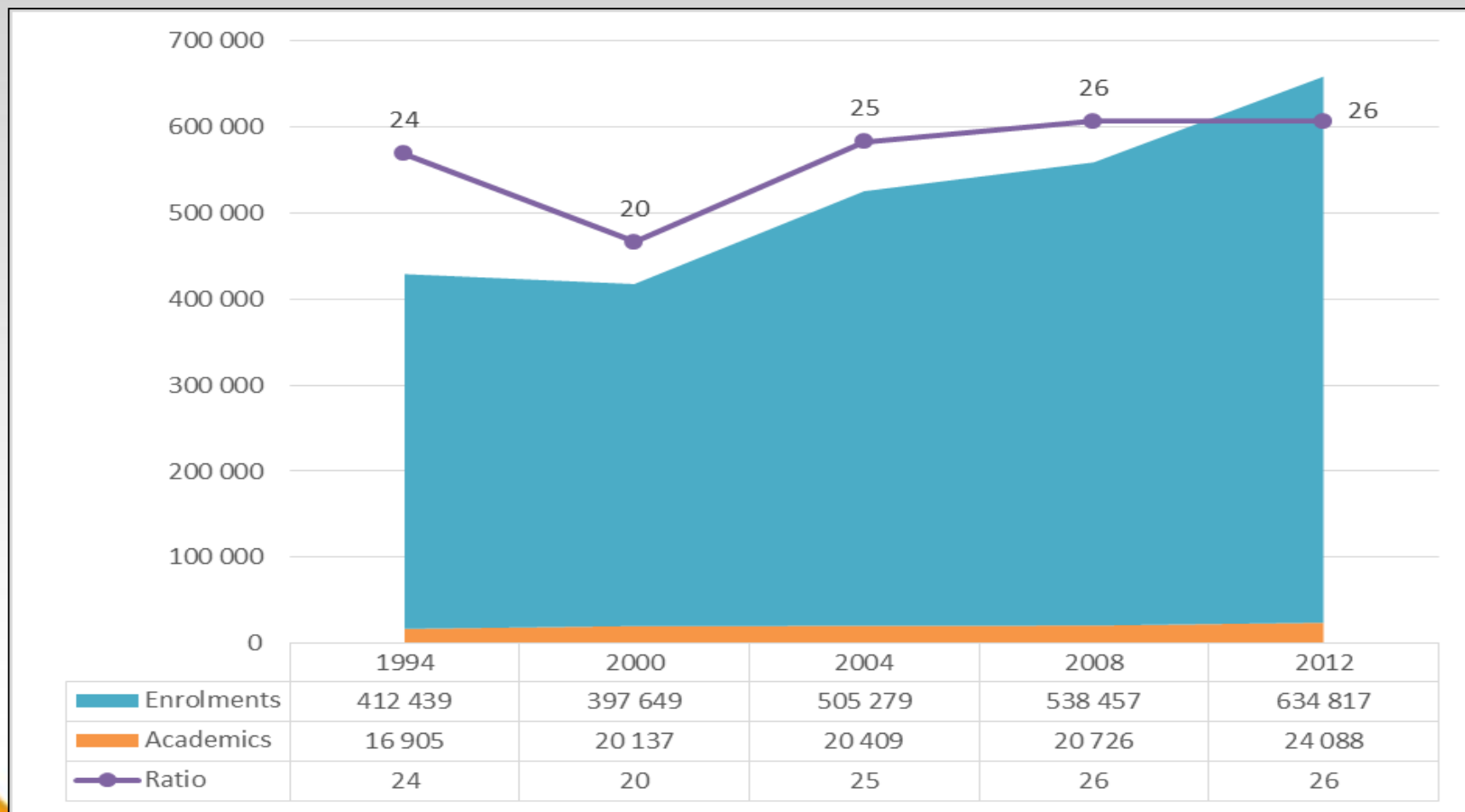


Source: *VitalStats 2014* (CHE, 2016) *There may be potential graduates remaining in the system after 2014.

6.3. High staff to student ratio

- Universities currently have too few academic staff;
- Ratio is 1:55 for permanent staff & 1:18 for combined permanent and temporary staff;
- This exists in an environment where the student population that needs more academic support rather than less.

FTE academic staff vs FTE enrolments for 1994, 2000, 2004, 2008 and 2012



6.4. Administrative vs academic staffing

The overall staffing population is somewhat skewed towards administrative staffing capacity. The ratio of administrative staff to academic staff in 2009 was 1.06: 1; by 2014, this was 1.14: 1. This will be exacerbated by insourcing and the costs thereof.

7. Consequences of a 0% Fee Adjustment in 2017

- A further R5 billion will be diverted from other projects.
- Universities will collectively lose a further R800 million in revenue in addition to R1.4 billion lost in 2016.
- Many universities currently subsidise poor students in addition to the NSFAS-funded students and will not have sufficient fee income to continue, let alone increase this practice.
- NSFAS will experience a shortfall of some R400 million.

Fully state subsidised - reduction in quality within public HEIs; exacerbated wealth inequalities; increased moonlighting

Income contingent loan scheme – create high graduate debt burdens

Cap on fees - promotes rapid fee increases at HEIs with traditionally lower fees

Fees on a sliding scale - requires a broad enough tax base – not feasible in poor institutions

8. Fee models

8. In Conclusion: Key Considerations for the Commission:

1. Aim to address the combined goals of access and success – ultimately improving throughput;
2. Recognise HE as one component of a broader system of PSET – HE cannot be viewed in isolation;
3. Balance the need for equity & fairness across the youth population also in TVETs & CCs;
4. Precipitate a review of the enrolment growth policy in HE linked to affordability and balanced growth in the PSET sector;
5. Factor in who should pay and when
6. Consider that the rich and more affluent should not benefit from fee-free higher education, for the probable consequence will be fewer resources available for the poor and less affluent.