



**NATIONAL TERTIARY EDUCATION UNION  
FOLLOW-UP RESPONSE DOCUMENT  
THE MINISTERIAL COMMITTEE FOR THE REVIEW OF THE FUNDING OF UNIVERSITIES**

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In our consultation with the Ministerial Committee two issues were addressed which the Committee invited the **NTEU** to make further comment upon:

1. sources of funding;
2. structure for the institutional factors requests.

*1. Sources of funding*

The **NTEU** recognises the current syndrome of lumping Further Education and Higher Education together in which some competition for funding through national fiscal channels must exist. The imperatives for growing skills within the country are well known to us, and, our academic membership, to a large extent, is engaged in activities related to this. The **NTEU** argues that the university sector is not solely a generator of skills and where the sector does act as a skills producer this is at professional level as opposed to the artisan level.

Over the recent decades it appears that the role of knowledge generation and the inclusion of theoretical and philosophical disciplines has not enjoyed much focus and seems to have been underplayed as a role of a university education, the thrust of attention on higher education outputs being towards skills development. We would argue for a separation between the HE and FET sectors, and, while there is a “connect” between these sectors we believe there is nonetheless a “disconnect” when funding split is concerned. Put otherwise, the conjoining into “higher education” of the university and further education sectors creates an incorrect vision of the lumped fund for “higher education” from a funding split point of view creating a probable fiscal imbalance between vocational and developmental education. This is not a motivation to unbundle the DHET.

Effectively this necessitates the separation of the roles of HE and FET. The role of HE in knowledge creation, analysis and dissemination forms a critical part of the future commercial, research and developmental role of South Africa in becoming the leader of the African countries and continent and as a contributor in the global context.

In order to clearly fund the sector in a useful way, there must be a resolution between a political will to continue to put South Africa at the forefront of developments through projects spanning the Square Kilometre Array project and deep level mining and the user pays form of access to universities.

The use of third stream funding sources in institutions has grown as the need to supplement diminishing state financial support and in cases, particularly the rural institutions, falling or at least fluctuating student intakes, is a worrying development. Two streams can be recognised : contracted research on behalf of commercial business; and, cash-flow strategies in the form of short courses. The former in many cases places constraints on research freedom as envisioned in the Constitution – which is unavoidable to an extent. However, the point is that there is a limit to this fund source and it is inclined to be highly affected by economic conditions. The latter, while contributing to the institutional or individual academic’s income, or both, is a little understood practice and the outputs, if current speculation is correct, often does not add value to either job seekers or employer needs.

So these are not useful in the creation of sustainable additional fund bases for institutions.

The other major stream of income is the fee structure for individual students enrolling at university. Government has often expressed strong resistance to additional fee growth as a way for institutions to offset the increasing need to find funds to balance their shortfalls. We have in recent years seen the introduction of fees in countries where higher education was free to citizens. This is clear evidence of the recognition on the one hand of the relative expense of higher education above primary and secondary levels and the loss of political will to support that cost – whether or not there is a belief in the long term public good both as a national confidence builder and as a builder of confidence in the country and its global economic place. On the other hand, we view this as clear evidence of the lack of commitment of Governments to the role and function of the universities.

The **NTEU** does not believe free education is affordable and there is argument as to whether it would be desirable. Similarly, the **NTEU** does not believe growth in student enrolments for the sake of growth or to meet some political notion of access is correct.

In our presentation to the Committee we noted that there are two sources of funding : the student body parent, and, the taxpayer. Obviously, these are the same. Several unconventional sources come to mind, but it's likely that these would not individually make significant contributions in an economy of this size. (levies on lotteries, lotteries for purpose, gambling, slicing from VAT, business levies, graduate taxes, slicing from fines through competitions tribunal). Having just noted that our feeling is that these would not significantly contribute, and, with the exception of a graduate tax which we reject in the context of fee-paying students, these could collectively make contributions into funds such a research capital fund, for example.

Funding use is a core issue for universities which must retain their autonomy in the context of independent and unfettered knowledge production. The **NTEU** believes that a clear and simple funding method can be arrived at which takes this into account which provides independence and autonomy within the qualifications of ensuring :

accountability for quality education at the tertiary level;

accountability for balanced budgeting and fund utilisation.

Use of taxpayer funds for university sector subsidy has become controversial mainly because the benefits of university education are slow to manifest themselves and the successes which place the commercial houses or nation at the forefront belong to post-tertiary socio-commercial structures. The connect between “university” and these successes will always be bad and university successes will always be at the level of ground breaking discovery and analysis. Long term effects of public expenditure and political immediacy do not find balance.

Universities find their enrolments from the poorly and the well resourced communities, however, funding still needs to be equitably applied to each student without causing financial hardship for the institutions where “own fund sources” support the poorly resourced outside the context of academic aptitude and richness.

These are arguments for the university as public good and the seemingly altruistic commitment required of the national purse to supporting this is something we all must face up to.

The **NTEU** sees no other major source of funding than the taxpayer and advocates a creative examination of other unconventional sources together with an examination of other social spends which may have had unintended inefficient consequences. At the same time we advocate caution against the massification of access in this sector and that in a country where vocational skills below professional level are critically in need of development that massification funds be directed to FET.

## *2. Institutional factor applications*

The **NTEU** in its presentation distinguished between rural and urban institutions. The question of definition arises with regard to whether, for instance, Stellenbosch University, University of the Western Cape, University of Limpopo or Medunsa are rural or Urban. This is not the debate we wish to enter into.

The **NTEU** has become aware of institutional difficulties which arise from the incapacity of municipal

infrastructure and local business to support growth of institutions, in particular where government parameters dictate growth in enrolments. These force-fit demands are prone to applying inappropriate “norms” to size and shape. This clearly can lead to unrealistic targets and certainly indicate huge expenditure requirements in order to create supporting infrastructure – not only within the institution but in the municipal environs. Institutions cannot be financially strictured because of geographical position.

An interplay between the institutional factor and the teaching and learning aspect of the block grant calculation exists, however, deeper considerations than the staff student ratio, lecture hall equipment etc. are considerations in several institutional contexts.

There are, then, several aspects for consideration within the structure of motivation for institutionally focussed funding grants. The **NTEU** is undecided on whether this aspect should be the bulk of the funding consideration for any institution or whether this should be a component part in balance with teaching inputs and outputs and research needs. Clearly, though, geographical position has a deep impact in the context of forced growth of enrolment in a profit-and-loss view of university education. Some of the following may already be part of the current template.

1. local (municipal) infrastructure and economic environment: evaluation of accommodation, water, electricity capacities given the projected student and staff complements, as related to rational growth of student body and capital infrastructure.
2. ability to provide appropriate socio-economic environment for student body: evaluation of the institution’s ability to accommodate and cater for student body in a cost effective structure at a fair price.
3. requirements to attract and provide equal opportunity for incoming and incumbent staff: local and regional inflation levels for food, energy, accommodation and salaries and conditions of service in relation to other institutions.
4. sustainable and maintained teaching and learning infrastructure: needs in relation to providing modern technology for, and properly maintained lecture, laboratory and research facilities.
5. consolidation and stabilisation vis-a-vis staff student ratio: a combination consideration based on the performance of the recruitment and selection function and local cost of living, accommodation and related blockages against appointments and retention (staff retention combined with block grant).
6. distance costs related to service, supply, size and shape of local business as a supporting supply chain and capital acquisition: known internal costs resulting from scarcity of skills locally for support of equipment and for delivery of major equipment (research and teaching equipment); no customer base support for business or supply type locally (not as motivation for outsourcing).
7. ability to apply economies of scale: known cost structures which attract premiums due to smaller size.
8. sustainable cost contribution to local socio-economic good: community engagement initiatives and local employment within the community.
9. constraints on user pays and third stream incomes: assessment of the anticipated short-falls.

## CONCLUSION

Finally, we reiterate our conclusions from our original presentation.

There are several principles that underlie consideration of a new funding process :

- o Fund calculation must not :
  1. imperil staffing levels and should be structured in order to recognise the third level qualification structure above the primary and secondary education sectors;

2. compromise the institutional ability to transform staff complements;
3. compromise the ability of academic workers and staff in general roles to provide a conducive environment for study and student success;
4. reduce responsiveness to educational and community needs;
5. increase the teaching loads of academic workers in a way which obviates research functions;
6. result in the need for institutions to seek higher fee payment from students in order to balance budgets and thereby risking loss of access for badly resourced students;

The **NTEU** seeks a new funding formula that

is clear, simple and useful;

is responsive to the needs of each institution;

delivers comprehensive information in a timely way for effective institutional planning;

is equitable in its approach to staff funding costs as related to the private sector;

is supportive of staff outputs and research inputs;

creates a stable working environment for all workers in the institutions;

ensures accountability for quality education at the tertiary level;

ensures accountability for balanced budgeting and fund utilisation;

recognises the professional and academic equivalence of the sector with the private sector;

and,

enables our members to take up their place creating, innovating, learning, fixing, mending, and developing all that is needed to ensure that our world is a better place.