



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

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GENERAL

The **NTEU** thanks the Ministerial Committee for the opportunity to make this submission on the review of the funding of universities.

In a recent public comment the National President of the TEU in New Zealand made this statement :

“We taxpayers do not need people to be trained solely for them to earn a *larger salary* in order to purchase more. We need **tertiary education** to provide our society, our communities, our families, and our economy with people who can fully take up their place creating, innovating, learning, **fixing**, *mending*, and developing all that is needed to ensure that our world is a **better place**.”

Sandra Grey. [National President : TEU New Zealand]

We are bound as an organisation representing workers in both academic and general roles within the institutions to restrict our comments to the effect that funding for universities has on the working life and environment of these members. The members of the **NTEU** commit themselves on joining, amongst other things,

- *To critically examine the role of institutions of tertiary education in a changing society in an effort to promote the equitable and fullest utilisation of the resources of these institutions.*
- *To promote equitable educational opportunity and sound educational practices at tertiary institutions.*
- *To strive for the fulfilment of every person's fundamental right to enjoy full and equal opportunity towards self-development by fostering an equitable and effective use of tertiary institution resources.*

Sandra Grey's comment encapsulates the underlying perspective of this union regarding the role of Higher Education institutions.

In the first years of the Higher Education Quality Committee's existence there was much comment based on White Paper and general thinking on the future role of Higher Education in the changing and transforming South Africa. In the following few paragraphs we review comments of Mala Singh the first Executive Director of the Quality Assurance Division in the CHE because it seems appropriate to remember starting points.

“It was a long held and powerfully persuasive World Bank view that higher education offered lower individual and social returns than primary education ... This view has now been replaced by a new ‘common sense’ which acknowledges the social importance and value of higher education but primarily in its role of enhancing national economic competitiveness within a global knowledge-driven economy.”

Singh, M., “Re-inserting the ‘Public Good’ into Higher Education transformation, p7-8. Kagisano : CHE Higher Education Discussion Series: issue No. 1; Summer. 2001.

The changing view of that time, while beginning to recognise the social importance of higher education still placed focus on the contribution of the sector to national commercial competitiveness and would still favour funding strategies aimed, not at knowledge generation and innovation, but, at skill-development of individuals for commercial purpose. The tendency of this thinking was to drive institutions towards business operational strategies and away from knowledge operational strategies. Commercial purpose cannot be the focus of higher

education if this is to drive other social and knowledge imperatives or, if universities are to serve a 'public good' in transforming society and business, and, driving the beneficiation of knowledge generated by South Africans. Singh continues :

"The idea of a higher education institution as a 'social institution' has to be rehabilitated to mediate the impact of the institution conceptualised as business. This is particularly urgent in societies like South Africa where far-reaching social change is underway, where there are huge issues of poverty, inequality and social justice to be addressed, and where democratic institutions and values are new or fragile and in need of reinforcement by major social institutions like those for higher education. ... However the accountability imperative must address the role of higher education in ways that encompass but transcend the needs of economic development understood in the narrowest self-interested fashion."

Singh, M., "Re-inserting the 'Public Good' into Higher Education transformation, p13. Kagisano : CHE Higher Education Discussion Series: issue No. 1; Summer. 2001.

In the period since Singh's paper was published funding has driven higher education as a sector from social institutions into institutions that have had to increasingly corporatise themselves and indulge in strategies either for survival or staff retention that are more appropriate to income-generating organisations than defined-income organisations. In cases this has proven disastrous academically and financially. The consequence of this for our members has been significant and generally negative.

"More worrying are the trends which show that issues of access have become more difficult for women, minority ethnic groups and the rural poor in a context that is normalising a 'user pays' mindset. The line between public and private provision has become blurred, often with fee paying and non-fee paying students within the same institution, bringing ambiguity and a weakening commitment to the role and responsibility of higher education in the broader transformation of those societies. The quality of provision is also clearly in jeopardy as large numbers of fee paying students are enrolled, staff-student ratios grow more unmanageable and non-fee paying students get decreasing attention from staff. The lack of time and attention to research and the shift away from certain fields of study especially in the basic sciences and humanities, are threatening to the longer term needs of society for stable systems and capacities to generate, absorb and use knowledge in a spread of fields for the benefit of all."

Singh, M., "Re-inserting the 'Public Good' into Higher Education transformation, Pp13-14. Kagisano : CHE Higher Education Discussion Series: issue No. 1; Summer. 2001.

The **NTEU** is committed to the principles of access for individuals from all walks of life and sectors of society who show reasonable, or have proven, potential for success in higher education and to become contributing leaders within their home or broader communities. However, the balance of funding which should ensure that these individuals emerge as "...people who can fully take up their place creating, innovating, learning, fixing, mending, and developing..." appears not to have materialised. While the strategies spoken of above may largely have disappeared, staff student ratios, high inputs into bursary support sub-venting NSFAS funds (which can arguably be seen as institutional "discounts" directed away from other purposes), loss of research time as enrolments have grown to generate income, are a high concern for membership. The notions of full access, free access and high output from staff regarding knowledge dissemination and student graduation and knowledge generation from research are in conflict when reflected against division of the public purse.

"A major restructuring process has been underway in the last few years, both at system and institutional levels. ... Many institutions have adopted a strongly entrepreneurial approach in this restructuring, developing increasing numbers of new, more 'relevant' programmes and expanding distance provision in an attempt to increase their market share of enrolments, outsourcing various internal services to private companies, retrenching staff in the attempt to 'rightsize' the institution, increasing their focus on applications-driven research and research links to industry, converting departments, programmes and faculties into cost centres, setting up campus companies to generate income from their teaching, research and service 'products', etc.."

Singh, M., "Re-inserting the 'Public Good' into Higher Education transformation, p14. Kagisano : CHE Higher Education Discussion Series: issue No. 1; Summer. 2001.

The so-called "entrepreneurial" approach is difficult to conceptualise within the defined-income organisation. In one shining Australian example a Vice-Chancellor suggested using a private company to deliver all the teaching programmes. In the context of reducing funding and a funding structure which is nominally "full funding" but

effectively 55% funding of requirements on average, institutions are driven to try and use income generating strategies to enhance staff retention, staff recruiting, infrastructure, maintenance and general expenses as well as student support. The sector is not geared for this and it is a deep concern that it should have to use business strategies as opposed to business principles to survive the reduction of social spend on the sector. In essence, the institutions are struggling to recover from the days of the World Bank's influencing monies away from higher education into the primary and secondary sectors. Outsourcing in rural institutions is either not possible or would have a highly negative effect on surrounding communities. In particular, the need for such institutions to pare their budgets for survival and attempt to provide good higher education creates pressures and results in placing their staff in the lower percentiles of salaries across the sector and in relation to other sectors. Better resourced universities are able to generate competition for staff compounding the problem of attracting and retaining staff for smaller ones and also meaning that academic staff, in particular, move between institutions for economic, not for academic, reasons. The **NTEU** sees this competition as unsound and an unnecessary consequence of current funding strategies on the part of the State.

Final general comments come from participants in the symposium on higher education and the public good:

"In response to this, [*skill development in students; ethical and political questions*] a delegate pointed out that basic to the transformation of higher education would be the recruitment and retention of the new generation of academics. Referring to the fact that today's academic body in South Africa is quite unrepresentative of the population as a whole and particularly of its disadvantaged sectors, he urged that the concerns of today's more socially representative students be carefully attended to, for two reasons. Issues around the social responsiveness of higher education need to be kept high on the agenda of institutions and their learning programmes, both for institutional development and also so that current students might wish to play a future professional role in higher education transformation as academics themselves. Another delegate added to this that discussions of the 'public good' role of universities and technikons should not be limited to policy and academic fora: the communities which institutions serve and from which their students are drawn are equally important stakeholders"

Jonathan, R., (rapporteur), "Focused Discussion" on Higher Education and the Public Good : Symposium responses and debate: p34. Kagisano : CHE Higher Education Discussion Series: issue No. 1; Summer. 2001.

One of the high concerns of the **NTEU** is the extremely low rate of entry into the career by young aspirant academics. There are a range of debate points that can be made in this regard, the one that concerns the **NTEU** the most is, not surprisingly, the salary levels and structures within the sector. High competition between the well resourced and the ordinary resource levels of the institutions is counter-productive to the effective and efficient development of a cohort of young, developing academic staff. It is often not understood outside of the academic communities that the development of an academic is not anything like developing a teacher in the primary or secondary sectors. For the higher education sector development of young academics is not simply a pedagogic training but a process of 10 to 15 years of academic research, writing and teaching experience and practice. Another counter to the retention of staff in the sector or within an institution is a salary structure which does not equate against the civil service structures in the education sector nor which gives recognition to the third tier qualification band level of the sector.

"The first task to facilitate more strategic action is establishing a sharper analytical foundation for the debate about higher education responsiveness."

Singh, M., "Re-inserting the 'Public Good' into Higher Education transformation, p16. Kagisano : CHE Higher Education Discussion Series: issue No. 1; Summer. 2001.

The social responsiveness and effectiveness of the sector in knowledge generation, investigation, dissemination and examination relies at the fundamental level on the workers who occupy the academic and general roles and functions within the institutions in their partnership with enrolled students and fee paying parent communities. The pressures on the latter should not negatively affect the former or vice versa.

FUNDING

Conceptually, the current funding schema is split into two parts in order to address the national needs in higher education: Block Grants and Earmarked Funding. However, several implementation strategies cause the schema to set institutional positioning off balance from a financial view point. Intrinsically, block grants are designed as discretionary institutionally allocated budget, and earmarked funding for specific negotiated or State identified projects or developments.

Unless the block grant more than adequately addresses the staffing (retention, recruitment and development) and research allocation for any institution especially with regard to attracting new academic staff into the career, the institutions will not be able to win the struggle against deficit budgeting, the need for overdrafts and “bail-outs” by the State and other financial difficulties. Most of all the effect of inadequate block grant funding is going to be very negative on the academic project. The inputs into human resources for knowledge production and dissemination (teaching and learning) must have greater financial support in order to significantly improve the success rate of students for graduation.

In order to create this support the institutional factors used in the consideration of the block grant allocations must play a bigger part in the decisions towards allocation. How these factors are motivated by the institutions may require some review of the mechanisms and the base assumptions on the purpose and role of higher education, other than skills and cognitive development of graduates intended to lead in their communities. While institutions speak of some improvements in the block grant levels in recent years, higher education is still woefully behind its counterparts elsewhere and its arguably not adequate enough to place South Africa truly amongst the upper end of the developing countries. We are, though, aware of the significant successes that the country makes and it is tribute to the workers in the sector that this is so.

Institutional factoring notwithstanding, in the context of part funding of institutions the balance must be made up from student fee and third stream income. In the case of the first there are definite limits to the quantum of fee structures and impacts on the parent community and access; in the case of the second this is not a stable source of income. In both cases the fluctuation in income is not a sound foundation on which to base recurring expenses. To overcome this limitation a future funding formula would have to increase to the extent of at least the value of the student fee while still allowing institutions to raise a fee from students. This would allow that income to be used for research and small capital allocations at the institution’s discretion.

The country cannot sustain an unstable higher education sector because of inefficiencies created by 55% fund requirement support from the State. If it is to remain a public good with relevant reconstructive and transformative goals and achievements, and, remain relevant in world academic terms, the South African higher education sector must be supported by the political will to be a partner in the endeavour. On the other hand the notion of free education in higher education is an alarming one and lacks affordability in a developing country.

Despite these challenges we are, none-the-less, proud to note that the public remit on higher education remains more effective than it appears to be in the primary and secondary sector on which it relies for incoming student enrolments.

The most challenging aspect of the current funding schema is “top slicing” of block grants. In many cases these funds are moved between block and earmarked funding. This mechanism is at the extreme detriment of the rural and smaller institutions. This cannot continue since if earmarked funds impact on block grants by reducing these, then, salaries for workers in the sector are automatically the first to suffer budget reduction internally, along with internal research budget which normally affects young inexperienced academics.

Quality of institutions and low quality institutions

The quality of institutional outputs is obviously founded on the adequacy of funding. Funding does not automatically translate into high quality staff in a system such as higher education given our comment on the length of time it takes to develop good academic workers. There are two aspects which make the projects’ goals easier to achieve : the creation of a conducive working environment for purpose and the ability to provide better than adequate support for the general roles performed by workers not engaged in teaching activities. Bearing in mind economies of scale are not available to smaller or rural institutions.

One cannot shy away from the necessity and importance of well resourced services and administration to the success of the academic project. Academia is no different from other educational processes in that its infrastructure, operations and facilities are critical to academic success. Block grant funding must address these aspects and provide a good prospect of balancing the internal discretionary budget demands without overtly and negatively penetrating the financial focus issues that beset the defined income organisations.

There is no definitive ranking of institutional quality in South Africa, indeed, we have tried to steer clear of this

with some success. However, it stands to reason that an organisation which struggles with financial challenges and over-spent budgets, struggles to become a balanced and effective one. Currently, there appears to be no penalty upon institutions which fall into this practice. Funding cannot “rescue” such organisations without imposing some strict penalty or constraint on recovery. Such events are more likely to create the impression that higher education is more expensive than it is. In this situation it is not unreasonable to anticipate that quality is not achievable for such an institution and that the group that suffers the most is the student population. A new funding formula must build into it mechanisms with early warning elements so that the livelihoods of workers are not endangered and the education of the student is never compromised.

The creation of centres of excellence or places where excellence is centred becomes an interesting distinction when the funding formula does not make the distinction and an unintended consequence is that more centres where excellence exists result than do centres of excellence. A centre of excellence is part of the institutional factor considerations and also of State identified earmarked funding. By inserting more attention into these aspects some of the pressures of utilising block grant funding for evolving an institution into a centre of excellence through its discretionary funding allocations should be relieved. In striving for this full support for undergraduate teaching facilities and further support for the more labour intensive postgraduate supervised student is necessary.

Essentially, these are not supported by the way in which staff cost inputs (FTEs) are calculated within the block grant meaning this component is currently inadequate and, possibly, uneven between the institutions.

Salaries

A great deal has already been said here about salaries. The block grant component of the current formula in seeking to make funds available for teaching inputs and outputs appears not to keep level with inflation in any of the areas that affect staff family costs and operational costs such as electricity and maintenance (teaching and bricks and mortar). In particular the ratio of salary budget to other operational expenses across the institutions is very high in the eyes of the State. If the State is not going to fund institutions with more than 55%, on average, of an institution’s requirements, then, this ratio will continue to be overly challenging in institutional budget processes. Until there is recognition of the reality that high student to staff ratios (ie lower staff complements) do not make for effective tertiary education of undergraduates, and especially, postgraduates the funding regime will never address the challenges presented to institutions by high staff cost to other operational cost ratios.

Some “lunch-time” debate occurs amongst unionists as to the efficacy of university staff becoming the third level of the education system in the civil service. Many points support the idea, but, academic and research freedom as enshrined in the Constitution and institutional autonomy (qualified as this may be) are high concerns for our membership and mitigate against creating greater pressure for this fundamental change in the staffing remit.

As we have noted above : academics should not be forced to move institutions for economic reasons above academic reasons. This syndrome is counter-productive to the academic project and the development of centres of excellence.

The **NTEU** is deeply concerned by the inability of institutions to effectively conduct the process of annual negotiation. Information on the final subsidy calculation and allocation per institution comes far too late in the calendar year to be useful. Such information is required at least by mid-year of a particular year. Currently, there is no viable formula for establishing salary component within a budget given a small element of unpredictability and the unknown quantities of “top-slicing”. The timing of a new funding schema must take this into account.

Research and capital expenditure

No knowledge can be produced with full effectiveness without adequate input in research budgeting in particular with regard to the sciences, engineering, medicine, veterinary science. Capital expenditure on these aspects is currently the victim of exchange rate fluctuation. Short of an ideal world it would be impossible to fully fund such activities. A balance between applied research and theoretical research is the goal. Given the provisions of the NRF, HSRC and other funding bodies, there is still a need to place some internal funding available for the development needs of young academics. Most institutions would provide some form of support out of the block grant allocation in the process of balancing the institutional budgetary needs. In the current scenario of an imbalance towards staff costs (salaries and benefits), and, considering the dire need to retain those interested in

staying in academia given support for their own improvement, a new funding formula might take a more focussed view through motivated requests. Again this may be part of how one improves the request template for institutional factor motivations.

Support for proper development of academics who are entering the career (<15years of experience)

Enough has been stated already on this topic. Suffice it to say at this point that the **NTEU** is extremely concerned at the low uptake of the academic career by postgraduates especially of young black candidates. It has become increasingly difficult to impress upon students the attractions of taking up a career in the universities. The effect of this support on the transformation of staff complements will be worthwhile if the institutions can more effectively compete with employers in the commercial and even other public sectors.

CONCLUSION

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

- 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, knowledge production 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;
responsive to the needs of each institution;
delivers comprehensive information in a timely way for effective institutional planning;
equitable in its approach to staff funding costs as related to the private sector;
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.

APPENDIX*Terms of reference for the Ministerial Committee*

Formulate a set of principles for the funding framework for universities which would serve the transformation goals for the university education system as set out in Education White Paper 3 of 1997. The following principles could be considered, namely that the funding framework must:

- improve the responsiveness of the university system to the social and economic needs of South Africa;
- improve equitable student access;
- improve quality and excellence in teaching and research;
- improve student progression rates;
- improve equity in the allocation of government funds amongst universities;
- Improve effectiveness and efficiency in the use of funds in higher education;
- improve accountability;
- ensure transparency in funding allocations; and
- facilitate financial stability and predictability in universities.

- 4.2 The committee must analyse the current funding framework to determine whether it has functioned effectively in achieving the goals set for it at its inception, and in particular, whether it has functioned effectively as a transformation-oriented steering mechanism. The functioning of the current funding framework should be tested against the agreed-upon set of principles.
- 4.3 The committee must recommend what changes (if any) should be made to the current funding framework, taking particular account of the following:
- 4.3.1 whether the proportions of government funds allocated to the block and earmarked grants should be changed from those currently applied and if so, what criteria should govern such changes;
- 4.3.2 whether the proportions allocated to subcategories within the block grant category should be changed from those recently applied and if so, what criteria should govern such changes;
- 4.3.3 whether new subcategories should be introduced in the block grant and the earmarked categories and if so, what criteria should govern changes in the subcategories making up the block and earmarked grants;
- 4.3.4 the funding requirements related to the draft policy on distance education;
- 4.3.5 the funding requirements related to experiential learning as required in terms of the Higher Education Qualifications framework;
- 4.3.6 the over-funding and under-funding of universities as a result of deviations of universities from the agreed-upon enrolment targets.
- 4.3.7 the funding requirements related to the recommendations made by the Ministerial Committee for the Review of the Provision of Student Housing.
- 5 The terms of reference for the second main task of the Ministerial review committee are as follows:
- 5.1 The committee is required to undertake an in-depth analysis of the human, physical and financial resources which was available to the university system over the five-year period 2005 to 2009. In this regard, the committee should analyse shortfalls that have occurred in the resourcing of universities, and report on the efficiency and effectiveness of the university system's utilisation of its various resource categories.

5.2 The committee is further required to develop resource strategies and models which relate to the Department of Higher Education and Training's strategic plans for universities. These strategies and models should indicate what the human, physical and financial resource requirements of the university system will be if:

- enrolments and graduates in fields where critical skills shortages are experienced are to grow;
- overall graduate output rates are to improve;
- the placement of learners into structured and mentored workplace learning is to increase;
- equity of student access and equity of student output are to be enhanced;
- in general, the transformation goals of the 1997 White Paper are to be achieved;

and

- the university system is to contribute more significantly to national, social and economic development needs.