University student fees – A trilemma of trade-offs

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During the 2015 #FeesMustFall debates in the South African media most of the participants – vice-chancellors, students, political commentators, tweeters and bloggers – displayed a disconcerting lack of knowledge about international higher education funding and tuition fee systems.

The students and vice-chancellors used countries such as Norway and Germany as examples of free higher education: the students to argue for free tuition, the vice-chancellors to argue that South Africa cannot afford it (Cloete 2016).

There is little reason to believe that South Africa is unique in the world regarding the public debate about fees in higher education.

Two key questions

When discussing policy options about fees there are two important questions: 'Who benefits?' and 'Who pays what when?'

'Who pays what when' sets up a very complicated policy dilemma for government because the effect of government investment in higher education depends on the distribution of private and public benefits, which means trade-offs must be made.

Ansell (2008) and Busemeyer (2015) argue that all fee regimes are a 'Trilemma of Trade-offs: public (government) investment – enrolment – private costs. And the trade-offs are influenced by a combination of what different political groupings think the role of higher education is in that society and which constituencies interests are dominant.

To illustrate this, a few examples are given.

Case of the United Kingdom

In the United Kingdom the 1988 Education Act tried to end the binary system and double enrolments. Conservatives were split between the rich (high fees and elite system) and the emerging middle class, which wanted a mass system with low fees. This paralysed Conservative Party reform.

The decision to massify was driven by prime minister Margaret Thatcher's fears of British un-competitiveness in the coming open European labour market – and she came from the conservative middle-class.

But the system was unaffordable so, contradictorily, Labour with a working-class base introduced fees to accommodate expansion. The Liberal Democrats campaigned for revoking fees, with an increase in public spending.

But in the 2010 Conservative-Liberal Democratic coalition government, the Tories refused to increase public spending. Breaking their election promise was the beginning of the end for Liberal Democrats.

Thatcher, David Cameron and the Liberal Democrat leader Nick Clegg all studied at Oxford or Cambridge. The differences in their approach to university fees did not come from their elite education, but the interests of their different constituencies.

Currently the UK system can be characterised as medium government spending – mass (50%) enrolment – and high private costs (£9,000 or US$13,000). But with a very good deferred payments scheme, it is almost 'free' for UK students and very expensive for foreigners (Ansell 2008).

Case of China

China has a very different system. After Tiananmen Square, Chinese leaders knew they had to respond to the youth protest.

The argument provided to the Communist Party Congress by economist Tang Min was that higher education enrolment expansion would turn out to be a measure that entails less state investment, stimulates domestic consumption greatly and satisfies urgent demand from the masses.

The three main principles were: high tuition fees to increase investment in higher education and to spur consumption; large-scale loan systems to help poor students; and increased scale of scholarship – the initial 30 world-class universities.

China managed a unique combination of high government investment (3% of gross domestic product), medium but fast-growing participation (30%) and high private costs, with high loans availability provided by regional credit cooperatives (the middle class invests at higher interest rates and the poor borrow for 10 to 15 years), supported by the China Development Bank which is not a commercial but an economic development bank (Jingyi 2004).

With this, China has driven the fastest expansion of higher education in human history, and has six of the 12 top universities in the BRICS bloc – Brazil, Russia, India, China and South Africa – and developing countries.

Along with the last decade's highest economic growth rate in the world, China has driven higher education expansion with clearly selected excellence – which was the origin of the Shanghai ranking system – and the building of a middle-class, but an increase in inequality.

After Tiananmen Square China linked universities and students tightly into economic liberalisation and the development agenda, with tight social controls.

Case of Sub-Saharan Africa

Sub-Saharan Africa has an entirely different story.

Makerere University in Uganda could be regarded as a typical flagship African university with free higher education. The purpose of the post-colonial flagship university was to train an elite on full scholarships which included tuition, board, health insurance, transport and personal needs.

But by the early 2000s Makerere was described as a "devaluation of higher education into a form of low-level training with no research" (Mamdani 2008).

This development across Africa is explained by Langa *et al* (2016) as follows: for government, free higher education is a highly visible and populist policy which encourages the perception that the state is providing something people want.

But free higher education in Africa was built on inequitable social structures and it reproduced these inequalities. Free higher education in highly unequal societies mainly benefits the already-privileged – the new political and business elite – who have the social, cultural and economic capital required to access, participate and succeed in education.

The trade-off in Africa has been low government spending with elite (10%) enrolment which is the lowest in the world, and low private spending for those who gain entry.

To compensate for the lack of access a dual system developed: a highly selective, free elite public system and, parallel to it, a private university (college) system where middle-class youngsters who do not get places at publicly funded, flagship universities pay considerable fees for low quality education.

Many Latin American countries, and particularly Brazil, follow this model but with slightly higher enrolments.

Case of South Africa

The current South African funding regime could be characterised as low government investment, low participation and high private cost. It was the latter that sparked the 2015 national #FeesMustFall crisis, which is a symptom of a bigger problem (Cloete 2016).

According to economist Johan Fourie (2015), only the top 4% of South Africa's income group could afford higher education without some form of financial aid or bank loans.

The financial backdrop was that the proportion of government funding to university budgets decreased from 49% in 2000 to 40% – and in some cases 30% – by 2013. Third-stream income almost doubled in the local Rands currency, but remained constant as a percentage of budgets.

The shortfall was made up by student fees which increased by 42% from 2010 to 2014 (9% per annum in contrast to a 5% to 6% national inflation rate). Added to this was that uncollected recoveries of the National Student Financial Aid Scheme ballooned to R3.7 billion (US$244 million) between 2010 and 2014.

Something had to give and it is rather shocking that it was students, not university leaders or government officials, who recognised this.

The student protest was characterised by a strategy of a non-party-aligned, no-formal-leadership mobilisation through social media and is remarkably similar to how Manuel Castells (2012), 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.

Currently in South Africa there are at least four policy investigations going on, and students are gearing up for decolonisation, gender equality and the local elections. The immediate future is difficult to predict – except that in no African country has a government managed to 'reverse' a 0% fees concession.

The 'Who benefits?' question

Regarding the question of who benefits, there is broad agreement among economists of higher education funding that government subsidies are 'regressive', meaning subsidies favour the rich (Garritzmann 2016).

In OECD countries, public universities consistently argue that low or no tuition fees provide greater equality of educational opportunity by providing greater access. But the overwhelming subsidy in public universities accrues to students from middle- and high-income families (Barr 2004).

In unequal developing countries the effects are exacerbated, Servaas Van der Berg (2014) concludes: "Our findings for South Africa are not unique, since World Bank research shows much of tertiary education spending in Armenia, Bolivia and Brazil benefits higher income groups" (Van der Berg 2014).

So in debating policy trade-offs it is very important to be wary of the middle class wanting free higher education for the poor, because it benefits them more for the simple reason that with high accumulated cultural capital they gain access to university at a much higher rate than the poor.

In South Africa only a tiny minority of students from deciles one to seven ever qualify for higher education while in the United States in 1970, 10% of students from the lowest income quintile went to university in contrast to 40% to 50% from quintiles four and five.

Forty years later (2010) still only 10% of quintile one went to university – but for quintiles four and five the percentage had increased to 80% to 90%. Higher education in the US has thus become part of the 'iron cage of privilege' (Piketty 2014)

Higher education is seen by many as a ladder out of poverty for the poor and an instrument to reduce inequality. Higher education does provide considerable income gains to the few poor students who gain access, but as the Hamilton Project in the US shows, it does little to reduce inequality because affluent groups gain even more from higher education.

To illustrate this, China and Cuba are contrasting examples. The latter saw higher education as part of an equalising strategy, made very high government investments – over 4% of gross domestic product – but by 2000 the participation rate in Cuba was still only 25%. In contrast, in Fidel Castro's arch enemy the US, participation is around 80% with significant inequalities.

In developing countries it is difficult to argue that there has been a more successful strategy than China's, with high government investment, huge enrolment expansion and high private costs – but with financial assistance.

In the area of doctoral production, China increased from 18,000 PhDs in 1978 to 50,000 in 2008 – with 40% in science, technology, engineering and mathematics – which threatens to distort the global high-skills labour market. But China also shows that higher education has to be tied into a bigger development project.

There is broad agreement that to maintain a competitive edge in a rapidly transforming knowledge economy, countries need to invest more in higher education.

The vexing question is what proportion of budgets the government, business and different income groups in society should contribute, because nowhere in the world is there 'free' higher education.

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