



ORAL SUBMISSION TO THE FEES COMMISSION

Mapping the important themes to the Commission

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Introduction

This commission serves a historic moment in the development trajectory of our country. The cries of society now rest with this commission. Through its work, conclusions and the actioning thereof the commission will ensure restoration of stability and productivity in Institutions of Higher Learning or further instability, revolutionary pursuits and compromised productivity. Broadly read, the Terms of Reference for the commission are straight forward. You are asked to determine “the feasibility of making higher education and training (higher education) fee-free in South Africa”. The three subsections that follow only serve to guide, but not limit, the scope of your inquiry.

Thus, for me, feasibility extends beyond the financial viability test – determined by government’s ability to afford allocating funds to substitute tuition fees. Maybe I will touch on how government funding can be sourced for this to be achieved, but mainly I am going to move from the premise that progressively acquired fee-free higher education and training is attainable. By ‘progressively acquired’ I mean this country can afford to put a timeline towards the attainment of fee-free education for all, integrating the entire student body gradually, starting with the most needy as early as 2018. During my presentation I will discuss the difficulty in defining ‘the most needy’ students.

I will not dwell on academic freedom and how it is affected by sources of funding. This is because, for me, academic freedom depends on the vigilance, ethical conduct, truthfulness, decisiveness and commitment to freedom of those who lead and occupy space within the academy hierarchy. I have witnessed academics frustrate academic freedom, not because of where funding for their institutions comes from but merely to advance their own greed and egotism, worse at times due to shortsighted leadership. Society must remain vigilant and committed to ensure academic freedom thrives, irrespective of sources of funding for the sector. Therefore, for me, feasibility must look at formulating a desirable higher education and training system, devoid of:

- high student attrition rates,
- over saturation of students in some institutions,
- low staff retention ability,
- horrific living conditions for students,
- low participation of women in postgraduate studies compared to their participation in undergraduate, and
- decent working conditions for academics and support staff due to over saturation in some institutions.

This list is not exhaustive. The point I am trying to communicate here is that the work of the commission cannot ask a narrow question that says, “How much is the portion of Universities’ budgets that is made up of tuition fees and can government afford it?” This is the wrong question to ask and this is because, for the system to function efficiently, effectively, responsively and sustainably more funding is needed than the current figures. Therefore, when some in society like the South African Institute of Race Relations¹ say “If higher education was to be funded solely through taxpayer subsidies then a further R71-billion, over and above the existing R25-billion, would be necessary. Our analysis suggests that, with sufficient prioritising, that R71-billion could be raised”. However, this constrains itself to today’s figures. Our higher education and training system is under resourced, it has the problems I have outlined above and the current University budgets need massive expansion to create intellectual bridges for students who are underprepared by the current basic education system. In bold truth, the current higher education and training system is designed for failure, with high attrition rates that would make the fee-free higher education and training venture not yield any value for money or return on investment. We must budget for a funding model that will repair this ailing sector and set it on a good path of success.

For this presentation I will concern myself with four key issues that are important to ponder on if we are to have a truly reflective report on the task to investigate fee-free education. These are 1) Participation rates, 2) Endowments 3) How do we determine the threshold on who is poor? and 4) Quality of instruction.

Participation Rates

The discussion on fee-free higher education and training is being held during a period of low participation rates. Our feasibility study must envisage a need for increased participation and thus propose a funding model that is futuristic and sustainable precisely for the achievement of increased participation. The National Development Plan (NDP) has a set target of annual enrolment levels reaching 1.6 million students by 2030². According to the latest figures, published in January 2016, by the Council on Higher Education³ indicates that the participation rate in 2012 stood at 19% and this was an increase from 17% in 2011. There is a long way to go. Participation rate is calculated, by CHE, as “the total headcount enrolments [in public HE institutions] as a percentage of the total population between the ages of 20 – 24 years.” There is of course something amiss here given that many of our first and second year students are below 20 years.

¹ Phungo, R. (2015). “University fees: Free higher education is possible in South Africa”. *Daily Maverick*, 21 Oct 2015: <http://www.dailymaverick.co.za/article/2015-10-21-university-fees-free-higher-education-is-possible-in-south-africa/#.V79DBqItjQ9>

² <http://www.pwc.co.za/en/higher-education/Funding-public-higher-education-institutions-SA.html>

³ http://www.che.ac.za/focus_areas/higher_education_data/2013/participation

In the United Kingdom, participation rates are calculated using the 17 to 30 years-old bracket and they had increased from 46% in 2010/11 to 49% in 2011/12⁴. The UK rate looks at “English domiciled first-time HE entrants to UK HE institutions and English, Welsh and Scottish FE colleges who remain in HE for at least 6 months”⁵. I suspect, using the same bracket, our participation rates would suffer dramatically given our high NEETs rate. NEET being the youth that is not in employment or education and training. According to the 2011 census report, South Africa’s NEET rate was at 30.8% in 2011, down from 34% in 2001. The NEET rate was calculated by dividing the number of persons aged 15-24 years who are NEET, by the total 15-24 year old population in the country⁶. Therefore, the feasibility study must make decisions cognizant of the fact that as a country we wish to expand the higher education and training sector in order to absorb these young people who have been disturbingly characterised as the “ticking time bomb” of our society.

Inequality in funding still pressures women more. According to the CHE at undergraduate level, 59% of the students are women and at postgraduate level below Masters, 63% of the students are women. However, at Masters level 49% are women and at Doctoral level 44% are women. This distortion in gender upward mobility within the academy has implications for women prospects in swelling the ranks of academia professionally and managerially in the top echelons. There is an anti-fee-free higher education for all view based on the fact that such a stance would favour the rich in our society. Perhaps we must state categorically that all formerly oppressed people in this country cannot be said to be the rich of our society. The much praised growing black middle class, for example, is suffocating under the mask of debt. It is pejoratively labelled as the indebted middle class. Yes University attendees form an elite circle in the communities in which they come from, but this is not true for all racial groups. According to the CHE’s 2013 figures, for Indian and White people participation rates are 47.4% and 54.7% respectively⁷. For African and Coloured people, participation rates are at 16% and 14.2% respectively.

How do we determine the threshold on who is poor?

This is arguably going to be the biggest and most frustrating question for the commission. Some studies have said let us work with the SARS income tax brackets and any household that does not have taxable income should be considered poor. The National Student Financial Aid Scheme (NSFAS) has discredited that argument by using R120 000 household income as a measure to

⁴ Grove, J. (2013). “University participation rate hits record high”. *Times Higher Education*, 24 April 2013: <https://www.timeshighereducation.com/news/university-participation-rate-hits-record-high/2003451.article>

⁵ <https://www.gov.uk/government/collections/statistics-on-higher-education-initial-participation-rates>

⁶ Ramose, L. (2014). “Fact Sheet on NEETs: analysis of the 2011 South Africa census”. *Research Bulletin on Post-School Education and Training*. Accessed via:

<http://www.dhet.gov.za/dhetresearchbulletin2/Abstracts/page6.html>

⁷ http://www.che.ac.za/focus_areas/higher_education_data/2013/participation

answer the question “who is poor?” The new NSFAS board chairperson, Mr. Sizwe Nxasana is working around the clock to revamp the scheme and put the household income threshold at R500 000. This would be a massive leap requiring serious funding. But what informs this leap? The truth is that the definition of poor is subjective and relative to that particular issue under investigation. A household may afford to take a child through University provided that child attends in Walter Sisulu University and not the University of Cape Town. But why should funding limit options of households, which by extension will suppress the potential of many young people?

For me, we need a reverse feasibility study, which asks the question: Can society afford current University fees and related costs? From which threshold do people objectively afford University fees and related costs? That study will help us determine the threshold of “who is poor?” Poor here relating to inability to afford higher education fees. A single mother of two children earning a gross salary of R500 000 a year is a high earner but may not afford to put both children through a University or University of Technology. A married couple with a joint gross income of R500 000 a year, also with two children, may be same or worse off than the single mother. You cannot treat these scenarios in the same manner, simply because they both headline R500 000 gross annual income. How do we handle the differences in these scenarios? The granular details on context and individual household dynamics that cannot be wished away, make it difficult to settle on a financial threshold. Some people will praise the number of self-funding students, but we are yet to see comprehensive research on the meaning of sacrifices behind those so-called self-funding students. The more expensive fees become the more sacrifices some families make and the greater they become stagnant in advancing towards success, especially when the children sacrificed for become part of the statistics of unemployed graduates.

It is for this reason of difficulty in determining the threshold on who is poor that makes me support fee-free higher education for all. Many black young people choose to not participate in higher education, though capable, because of exorbitant fees and related costs; many others are financially excluded. Such a move could even bring to rest the current imbalance in participation rates. African people, according to CHE, in 2013 made up 70% of the headcount student enrolments in public higher education meanwhile African people accounted for 80% of the country’s population. Some people have pointed to bursaries and scholarships as avenues for help that are still under utilised. However, bursaries are too focused on ‘scarce and critical skills’. A friend who wanted to remain anonymous stated “All are equal before the constitution and deserve equal opportunities....Not everyone is good in Maths and Physics. Not everyone likes Maths and Physics. The government cannot disadvantage students passionate about the arts or commerce or social sciences or vocational skills. They are as South African as those who choose Maths and Physics”.

In the discussion on who is poor, it must be born in mind that fee increments in institutions of higher learning follow an inflation of a special kind that involves some mythical internal institutional inflation. These fee increments according to the 2013 Ramaphosa report have been

driven by decreasing government funding for the sector, in the main. To make me understand, Maggie Brown told me in 2004 she had pursued an LLB in UKZN paying tuition of R15 000 per annum (this was similar to what Wits charged in the same year according to a cousin, for the same course) and she has returned this year (12 years on) to complete the degree in her 3rd year at R38 000 per annum. Wits University on its webpage today, estimates an LLB at R32 470.00, reality could be something else. A first year Bachelor of Arts student in UKZN told me that his tuition fees statement is at R46 868.00 today. In my first year as a Bachelor of Community and Development Studies student in 2010, I was paying in the region of about R25 000 there about, within six years this figure has changed drastically.

Fee-free higher education will equalize potential entrants and those universities that make socioeconomic background determinations on enrolments will have no place to hide for their biased quotas that favour the previously advantaged. Ideologically and practically fee-free higher education is desirable and necessary because it will equalise, to an extent, future entrants to the system. The race to entry will be on merit and equity to balance social justice scales. There will be little room to distort the student body not to reflect the broad societal demographics in some universities such as the University of Stellenbosch. There would be an end to all archaic bursaries that were bequests exclusively for white students. It will be possible to build and expand on some institutions such as Rhodes University, which shut out many potential students, due to exorbitant registration fees. Rhodes has potential to increase sizably its student body and only fee-free education can lead to this, when entrants are no longer seen as a threat to the economic viability of the institution.

Endowments

Fee-free higher education will be unsustainable for our context because of poorly endowed institutions of higher learning. Shelagh Gastrow, a director of GastrowBloch Philanthropies, stated, “Contrary to local myth, South African universities have very modest endowments and some have no endowment at all”⁸. She further explains endowments as “funding donated from private resources such as individuals, trusts, the corporate sector or bequests for the support of the university in perpetuity. Endowment funds are generally not held by the university itself, but are usually governed and managed by independent entities such as a private trust or a special purpose vehicle especially established to support the university. The larger the endowment, the more independent the university can be from the government or corporate interests as it will have the resources to follow its own trajectory”. Most importantly she poses the question: “Why is it that the world’s top institutions have put so much effort into building these endowments?” Answers to

⁸ Gastrow, S. (2015). “University Endowments: Spend now or pay for the future”. *Daily Maverick*, 27 October 2015: <http://www.dailymaverick.co.za/opinionista/2015-10-27-university-endowments-spend-now-or-pay-for-the-future/#.V7-L3altjQ8>

this question are multiple, including need for tutors, better nutrition, residences, more teaching staff, etc.

We can learn lessons from institutions such as the University of Edinburgh. Maybe I carry a bias as it is my alma mater and an MOU exists between them and UKZN. Edinburgh publishes, annually, an Endowment Fund Report. The report of 2014 stated that an investment committee was set up with these responsibilities:

- sets investment policy and strategy
- determines asset allocation
- identifies fund managers
- monitors fund performance
- advises university court on its investment programme

The University of Edinburgh, in 2013/14, held investments worth £298-million and in 2015 this had increased to £317-million (this constituted 38% of revenue for that year. Whilst endowments are no liquid cash, the point to draw here is the substantial nature of the endowments). It is the third largest University endowment fund in the UK but lags the leading Universities of Cambridge and Oxford by far. In the 2013/14 financial year, Edinburgh had an income yield of £10.4-million and £7.9-million was spent by Colleges and Schools⁹.

The Oxford Endowment Fund report acknowledges that “managing an endowment is different because of the nature of the beneficiaries. For most pools of capital, such as pension funds, the beneficiaries are alive; for endowments the beneficiaries may not even be born. Managing an endowment requires a careful balance between managing the interests of today’s beneficiaries with those of future generations. Endowment management is focused on at least preserving the real value of gifts donated to fund activities in education and research and generating absolute real returns. This is different from the vast majority of other investors who may be concerned with liability matching or beating short term markets indices, whether they go up or down”¹⁰.

Locally, the University of Stellenbosch, according to its 2015 Annual Report, held long-term investments to the value of R7 684 108 000, ranging from government bonds to shares to fixed deposits to and others forms of investment. The University of KwaZulu-Natal in its 2014 Annual Report indicated its similar investments to be at R1 627 757. Other Universities fall way short of these figures and therefore are unable to enjoy the fruits of receiving dividends, interest and other forms of earnings. Strong investment portfolios will ensure that universities, in the event of

⁹ The University of Edinburgh. (2014). “Finance” Endowment Fund for the Year to 31 July 2014”. www.ed.ac.uk

¹⁰ Oxford University Endowment Management. (2016). “The Oxford Funds: Report 2015”. http://ouem.co.uk/wp-content/uploads/2016/06/20151231_The-Oxford-Funds-Report.pdf

government funding drying up during the course of fee-free higher education, are able to cushion themselves from the shock therapy. In the interim, income from endowments could lead to an ability to close certain gaps that make our institutions ail to redundancy.

Quality of Tutorship

The quality of the education we are providing in higher education is important for us to investigate. Spending taxpayers' funds in a sector of deteriorating quality is not going to give value for money. It will, in the long term, be fruitless expenditure. There is something wrong for example that the institution I am affiliated to, the University of KwaZulu-Natal had a staff complement of 3 183 permanent and long-term contract people in 2014. Of that figure, 44% were academic staff and 56% were support staff. This meanwhile student enrolment was at 45 579 in the same year. Looking abroad, the University of Edinburgh in 2015 had an academic staff complement of 3 943 and a professional staff complement of 5 354. The student enrolment was at 35 255 in the same year. Closer to home, Wits University¹¹ on its website informing us about Wits 'Facts and Figures' states that the University has 6 585 staff members, of these 4 712 are academics, 307 are international academic staff members and 1 512 are professional, administrative and support staff. The corresponding student enrolment on the website is at 33 364.

This is an important gap to highlight. It clearly demonstrates there is a chance that some Universities have overburdened academics who must instruct classes of up to 1000 students. This is a preposterous state of affairs. To then channel state funds into that reality would be wasteful. The feasibility study of the commission must come out concretely with a model that defines desirable staff complement for an institution depending on the student body and number of courses offered. Furthermore, tutorials at the undergraduate level must be mandatory and we must actually defined a ration of tutor to students that caters for optimal learning and exchange in the tutorial environment.

Conclusion

This is a significant moment in the life of our higher education sector. There will be no acceptance of fee increments by society. The majority of society has reached a ceiling on what it can accept as higher education costs. This must be noted by the commission. Furthermore, the commission must note that there is an urgent need to reach a starting threshold on rolling out free higher education to 'the poor' by 2018. What this means is that all those who fall within that threshold would no longer be subjected to NSFAS. NSFAS would evolve to cater for the remaining students

¹¹ <https://www.wits.ac.za/about-wits/facts-and-figures/>

(outside the threshold) who are expected to pay some fees until such a point that we reach a stage of universal fee-free higher education.

Lastly I wish to make a recommendation on two things:

- 1) As part of cash savings for government, the tendering procurement process needs to be revisited. I have argued this in the written submission to the commission. I am also happy that the Minister of Finance has also come out in support of this position. We need to tell government to put cost capping measures in the procurement process. That some people can even think to overcharge construction projects by as much as R10-million or more is slowly depleting our fiscus and misdirecting funds that could be used for education.
- 2) For endowments, I propose that this commission liaises with the Department of Trade and Industry to get a registry of all successfully completed BEE and BBBEE deals since the inception of this legislation. Once this has been done, I propose that legislation be moved for all those deals and any future BBBEE deals to be forced to give up 15% to 25% of their holdings as endowments for Universities. The allocation should be done in a manner that achieves equity by prioritising institutions that have no endowments at all. Institutions of Higher Learning, as a way of broadening economic participation and ensuring that economic transformation does not favour the creation of a rich black elite, must be part of BBBEE deals.

This would herald new development in how we might be able to fast track economic transformation. Those big white and foreign owned corporates (listed and unlisted) that have been reluctant and resistive to implementing BBBEE deals, must be given a chance to go into a venture with a consortium of universities as BBBEE partners. This would ensure that the yields from such ventures do not create elites in the ilk of Ramaphosa and Motsepe. The yields would directly impact on the wider spectrum of society by making institutions financial stable, secure and viable, giving them enough foundations to build the type of 21st century institutions South Africa needs for her development and growth towards a decent society of decent and dignified livelihoods with decreased inequality.

For this to be possible I move that the commission mandates all institutions to start endowment management structures that will start setting up systems and structures for this new era of investment in our institutions.