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Thusanani Foundation's Presentation to the "Fees Commission":
A case for redistributive justice and collective social
mobility in South Africa

1. Background and Introduction

1.1 From inception a post apartheid South Africa identified the transformation and widening participation in higher education to youth hailing from previously and currently marginalized households and communities as a strategic tool to abruptly break the cycle of poverty and to tackle the socio-economic legacy of apartheid and colonialism that has increasingly polarized South Africa into one of the most dangerously unequal societies in the world.

1.2 Despite a strong national policy commitment to transformation and widening participation in higher education, a post 1994 neoliberal approach to education has underpinned the continued commodification of higher education as private good accessible to the wealthy and increasingly inaccessible to the overwhelming majority of poor and working class South Africans. It is this view of higher education as a commodity, in a rapidly modernizing economy, that has led to an unmitigated socio-economic genocide on the dreams and aspirations of millions of South African youth hailing from poor and working class households and communities, laying a solid foundation for the current higher education funding crisis facing South Africa today.

1.3 We put forward to the commission that, given her history and the current socio economic reality of our country, a just and sustainable solution to the current higher education funding crisis is only attainable when higher education is

declared and viewed through the lens of a public and cultural good whose equitable accessibility is a necessary pre-condition to South Africa's future socio-political stability and national security. It is through these lens that we have developed a case based on the principles of redistributive justice and collective social mobility in our higher education system and society in general.

1.4 This document seeks to present to the "Fees Commission", Thusanani Foundation's perspective and recommendations on:

- The state of higher education funding for "low income students" in South Africa (SET 4)
- The meaning of "Fee-Free" higher education and training in the South African context (SET 5)
- Alternative sources of funding for higher education and training (SET 6)
- The broader social, economic and financial implications for providing Fee-Free higher education and training (SET 7)
- The feasibility and practical pathways towards the immediate realization fee-free higher education and training for the students hailing from "low income" households and communities in South Africa (SET 8)

2. Brief overview of the current state of Higher Education funding for "low income students" in South Africa

2.1 Central to the South African higher education funding crisis is a university system that is both grossly underfunded, small in size and increasingly sold like a commodity in the market place, with the financial burden increasingly transferred to individual students over the past

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two decades. Whilst the negative consequences of an underfunded and increasingly commodified system higher education have been felt across the social spectrum, they have particularly paralyzed the educational and social mobility of youth from low income households and communities, permanently condemning millions into the NEET (Not in Employment, Education or Training) cycle of poverty, inequality and unemployment.

2.2 The South African higher education funding model, in its currently commodified form, continues to significantly contribute towards the reproduction and reinforcement of socially unequal patterns of access and success in higher education, in that judgments or standards upon which the universities' access and success is primarily based, tend to explicitly recognize, value and reward students from elite social backgrounds while punishing those from low income households and communities. Secondly, the current higher education funding model extends a high degree of autonomy to individual institutions through which they are at liberty to determine their own values, rules, and importantly the cost of study. Thirdly, the current funding model has resulted in a hierarchically polarized higher education system with individuals and institutions occupying dominant and subordinate positions, depending on the composition and portfolios of their economic capital. Thirdly, due to its size, the system has increasingly become highly contested and unreasonably meritocratic at the expense of youth coming from non traditional communities with under resourced schools and low higher education participation rates.

2.3 We put forward to the commission that, it is through autonomous, hierarchical, meritocratic and commodified nature

of our institutions that our higher education system establishes close correspondence between the social classification at entry and the social classification at exit without explicitly recognizing, and in most cases denying, the social inequality in available pathways to access and success in higher education. This way, our universities contributes to the reproduction of social inequality and structures of domination under the cover or pretense of academic neutrality. It is our strong resolve that, in its current form, contrary to government's expressed commitment to achieving social justice through widening participation in higher education, South Africa's higher education funding model enables our universities to occupy the role of a smoke-screen that facilitates the undetected perpetuation of social inequality by enabling the 'misrecognition' or normalization of structures of socio-economic stratification in patterns of educational attainment and society in general.

The following examples help support our position:

- Example 1: Out of every 100 students who enroll for grade 1 only 60 students reach grade 12. Out of the 60 who write grade 12 exams, only 37 pass grade 12 exams. Out of this 37, only 12 students get a bachelors pass that enables one to enroll at a university. Of the 12 students with university exemption, 5 of them come from highly adequately resourced privileged quintile five Schools; 4 of them will come from quintile four schools and the remaining 3 students come from under resourced quintile 1, 2 and 3 schools, mainly situated in rural and township communities.

- Example 2: Nationally, of the 984 000 undergraduate students enrolled at 26 public universities, only 180 000 (18.2%) are funded through a mixture of loans and grants from National Students Financial aid scheme (NSFAS).

The rest are left to scramble for external bursaries offered by private companies, NGOs, State Owned Enterprises, Provincial and National government departments. It is worth noting that private sector bursaries mainly fund exceptional students studying at elite institutions towards specific fields of study that are in line with the commercial interests companies offering the bursaries. This observation is further supported by significant variations in private sector investment between Historically Disadvantaged Institutions (e.g. University of Venda) and elite universities (e.g. Stellenbosch University or Wits University), as revealed in a study recently published by the British Council in South Africa.

- Example 3: At an institutional level, during the 2015 academic year, of the 20 000 financial aid applications received by Wits University only 3 500 students were awarded a financial aid package, the rest were rejected mainly due to insufficient funds. Most importantly, only 400 of the 3 500 successful applicants were first time entrants. Of the 6000 first year students enrolled at Wits University during the 2015 academic year, only 400 students received NSFAS packages.
- Example 4: White students' higher education participation rate stand at 57% when compared to 15% amongst the black population.

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2.4 With the above picture in mind, we submit that the position adopted and presented by the Department of Higher Education and Training (DHET) and the Council on Higher Education (CHE) with regard to the 2017 university fees grossly underestimates the impact that the ever-rising cost of study has had on students coming from low income households and communities over the past two decades. The narrative that **"the poor are being taken care of at universities"**, as advanced by the DHET and some University Managers is not only misleading but also largely responsible for the resurgence of protest action across campuses. Evidence from national and institutional data, contrary to this narrative, clearly indicates that students from low income households and communities continue to be on the receiving end of the current higher education funding model, particularly at elite institutions.

Contradictory messages from various government departments and university managers regarding the future of higher education funding in South Africa not only primarily sparked and fuelled the student protests currently taking place across the country but further threaten the legitimacy this very commission.

2.5 Government's failure to maintain a moratorium on university fees until the anticipated model of the fees commission could be finalized has actually allowed ever-rising university fees to continue the "cancelling out" of government's efforts to improve access rates for low income students. The "2017 0% increment for the poor" committed for 2017 has actually taken away from the poor by cross subsidizing the continued commodification of higher education by University managers in that government is still paying for the difference/shortfall between 2016 university fees and the

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permitted 8% increment resulting from University Councils' discretion. By handing the power to determine the cost of study back to university managers before the anticipated model of this fees commission could be finalized, the government effectively undermined its political responsibility to deliver higher education as a public good, a cultural good and, most importantly, an apex priority of government. It is this shifting of the political responsibility to University Managers that has sparked and maintains the protest actions. Students have negotiated with and are aware of the ruthlessness of University Managers in defending the current neo-liberal higher education funding model, hence they turned to government to regulate university fees whilst a new inclusive model of higher education funding is developed, adopted and implemented immediately. The announcement by the DHET, contrary to its expressed intentions, has, in reality, endorsed and legitimized the continued commodification of higher education by university managers under the hoax of institutional autonomy and, in line with SET 3 of the terms of references, we suggest that this is something the commission should probe in pursuit of a new inclusive model of higher education funding. **The state must introduce strong regulatory and oversight framework in order to address the "cancelling out effect"**. Increased state subsidization aimed at enhancing access for students from low income households will continue to be significantly undermined unless a moratorium on fee increments is maintained until the finalization of this commission's anticipated inclusive higher education funding model

2.6 The "Nxasana Ministerial Task Team": Despite being established after the Fees Commission on University Fees, the Task Team's scope makes both short term and long term proposed

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interventions that if adopted, delegitimizes this Fees Commission and render it irrelevant and unnecessary, fueling further confusion. A clear decision therefore needs to be communicated on the scope of the Task Team's recommendations and the potentially contradictory roles and outcomes of both Task Team and the Fees Commission. It is our observation that the posture of the MTT's recommended higher education funding model not only continues on the neo-liberal and meritocratic trajectory of the current higher education funding model that has brought us to the crisis we are in today, but is also reflective and littered with the interests of the private banking and legal sector masked under a proposed Public-Private-Partnership (PPP). At times, this posture appears contradictory to government's efforts to widening participation in higher education. For example, the task team not only suggest the replacement of the current NSFAS model with a Privately managed "Ikusasa Student Financial Aid Programme", but further recommends the integration of Private Banks' Student Loan products into the proposed "Ikusasa" funding model. Private Banks' student loans have a globally acknowledged exploitative reputation which is contrary to government's policy on higher education funding for "poor and working class students". What is particularly concerning with ISFAP is that big business contribution towards the funding of low income students is largely left voluntary. We further propose that ISFAP's proposed BBB-EE skills levy, as a source of alternative funding for higher education, be further probed as it presents a possible window for big business to avoid the transformative ideals of the BBB-EE act in so far as the transformation of patterns of ownership and control of the economy are concerned.

2.7 We further submit to the commission that the current state of higher education funding in South African is inconsistent with section 29 (1) (b) of the Constitution of the Republic of South Africa which state that "everyone has the right to further education, which the state, through reasonable measures, must make progressively available and accessible. The final section of this document will substantiate our It is our resolve that the state is currently in possession of reasonable means necessary to realize the immediate introduction of fee-free higher education and training for youth coming from low income households, failure of which threatens the legitimacy of a hard won democracy and our future stability.

3. The meaning and content of "free higher education and training" (SET 5).

Defining the poor and working class students

3.1 The **2010 Ministerial Committee on the Review of NSFAS**, the **2012 Report of the Working Group on Fee Free University for the Poor in South Africa**, the **Nxasana Ministerial Task Team on Higher Education Funding challenges facing "Poor and Working Class students" and the "Missing Middle"** and more recently, the **Interim report** of this very commission all define "poor and working class students" as "Students from poor households with an annual income below **R 122, 000 per annum** based on current NSFAS rules". Following on the Ministry of Higher Education's announcement in August 2016, the **Nxasana Ministerial Task Team** and the **Interim Report** of this very commission go on to define "missing middle students" as students from families with an annual income between **R 122 000 and R 600 000**.

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We submit to the commission that this definition of "poor and working class students" and "missing middle students" by the above mentioned commissions and task teams is exactly what is fundamentally flawed and problematic with the current as well as their newly proposed student funding models. Firstly, the annual household income of **R 122 000** as criteria for one to be declared "poor and working class" has remained unchanged for almost two decades despite the cost of study and that of living having more than doubled in the past decade alone. To illustrate this point, the average full cost of study (FCS) at the **University of Cape Town** has risen from **R 37 925** in **2003** to **R 113 602** in **2015** ,at **Wits University**, the average FCS has risen from **R 27 855** in the year **2003** to **R 99 900** in **2015** and at the University of Kwazulu-Natal it has risen from **R 27 945** in 2003 to **R79 491** in 2015, yet the threshold for being deemed "poor and working class" has remained unchanged.

3.2 Secondly, we find the definition of "missing middle" by the Nxasana Ministerial Task Team and the Interim Report of this very commission equally flawed and problematic. Given the socio-economic profile of South African Households, students who have been defined as "missing middle" are in actual fact nowhere near "middle class" when measured by household income. Justin Visagie (2013) puts it succinctly when he writes "***in South Africa what it means to be middle class is complicated by the low average and median levels of incomes in the country and very wide distribution of income. Households who have achieved a modest standard of living are actually near the top of the country's income ladder***". This is further supported by the fact that **over 70% of South Africa's labour workforce earns below the taxable income of R 6 000 per month**. In a country with a Gini coefficient of 0.7, it is grossly

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misleading to brand a daughter of parents with an individual income of **R 61 000 per annum** (or R 5 166 per month) as anything that resembles "middle class" and therefore not eligible to qualify for a fully subsidized Full Cost of Study at higher education institutions. In determining one's class position in an economy similar to ours, it is unjust to evaluate the value one's household income in isolation from the cost of living (in this case, cost of studying).

3.3 Keeping in mind the recent history of rapidly escalating full cost of study, the socio-economic profile of South African households and the income inequalities in our country, guided by the principle of redistributive justice and in pursuit of collective social mobility and justice, Thusanani Foundation submit that the commission revise and adopt the definition of "Poor and Working class students" to refer to students coming from households with an annual income of not more than **R 300 000**.

Having amended the definition of "poor and working class students", Thusanani Foundation calls for the immediate introduction of free (i.e. fully subsidized full cost of study) higher education for all poor and working class students in the form of government grants. We submit that full cost of study includes **Tuition Fee, Accommodation, Meals, Transport, and all study material**.

3.4 It is our estimation that the R 300 000 per annum cut-off will benefit well over **80% of South African households** including: The Unemployed (27%); Social Grant Recipients (45% of Households); Employees earning below taxable income (70% of the Labour Force), Civil Servants such: Teachers, Nurses, Social Workers, Garbage Collectors, Artisans and other low

income earners such as Farm Workers, Domestic Workers, Mineworkers and Security Guards. Adopting this definition will not only help address the income inequality and bring much needed relief to students coming from low income households whose income has been nothing but stagnant when compared to the ever rising full cost of studying in South Africa, but will also mark the a bold step in South Africa's efforts to break with the socio-economic legacy of colonialism and apartheid that continue to polarize our country along class lines.

3.5 We recommend that a study loans be made available for students from households earning above R 300 000. Given the structure of our economy and guided by the principle of redistributive justice, we are opposed to the idea of "free higher for all" as this will work against poor and working class students. Under a meritocratic admission system, free education for all will result in universities overwhelmingly dominated by students from privileged and well resourced high schools to the detriment and exclusion of students from under resourced rural and township high schools. In an economy where only 1% (566 074 taxpayers out of a population of 55 million) earn above R 500 000, we struggle to reconcile with the logic behind the proposed R 600 000 "missing middle" cut off.

4. Alternative Sources of Funding Fee-Free Higher Education

Recommended sources of funds to the immediate financing of free higher education for poor and working class students

4.1 Centralize all state higher education funding into one National Skills Development Fund

Currently the state's higher education funding is inefficiently and wastefully scattered across every Local and District Municipality, Provincial and National Government Departments, State Owned Enterprises, Youth Development Agencies and various NGOs.

All these funds must be ring-fenced into a single National Skills Development Fund that will prioritize the introduction of free higher education for the youth from poor and working class families and communities

For example, in 2015 alone, the **Free State Provincial Government** spent over just under **R700 Million** a year on sending students to public universities. Following on the example of the Free State Provincial Government, if each provincial government, on average, contributes R 5 00 Million towards our proposed National Skill Development Fund, this would amount to **R 4,5 Billion per annum instantly**. Additionally, this formula would ensure that industrialized provinces with stronger sources of revenue cross-subsidize less industrialized provinces with weaker sources of revenue.

4.2 Increase the **Skills Development Levy** from by 2%. This will instantly contribute **R 27 Billion** towards our proposed National Skills Development Fund.

4.3 Increase corporate tax by 2%. This will instantly contribute **R 13 Billion** towards our proposed National Skills Development Fund.

4.4 Increase income tax on top end earners by 2%. This will instantly contribute **R 8 Billion** towards our proposed National Skills Development Fund.

4.5 Increase the proportion of GDP spending on higher education from 0.75% to 2%. This will help direct more funds towards the expansion of the higher education system in order to respond to increasing demand.

5. The Socio, Economic and Financial Implications of Introducing Fee-Free Higher Education

"If the ladder of educational opportunity rises high at the doors of some youth and scarcely rises at the doors of others, while at the same time formal education is made a prerequisite to occupational and social advance, then education may become the means, not of eliminating race and class distinctions, but of deepening and solidifying them".

- President Truman, in releasing a report of the President's Commission on Higher Education, 1947

5.1 The current higher education funding model continues to play a major role in enabling affluent sections of society to transfer a host of social, cultural and economic advantages through generations whilst achieving the opposite amongst low income households and communities. Should the current higher education funding model not undergo bold and deliberate reform it will not only halt efforts to advance the struggle for social justice in South Africa but will further exacerbate the spread socially unequal patterns of educational attainment across future generations. This commission is entrusted with a rare opportunity in this very moment in history to meaningfully correct the ills of our past whilst laying a

solid foundation for a more just and humane future of our country.

5.2 In addition to rampant levels of unemployment (27%) and 16 million of households (45%) on Social Security Grants, 70% of South African workers earn below taxable income of R 6 000 per month. Over the years, their salaries have been nothing but stagnant when compared to the ever increasing cost of education, food, transport, electricity and other basic necessities. The proposed minimum wage of R3 500 does not make their life any better. If this revolving door of poverty and marginalization is not abruptly disrupted today, the majority of South African sons and daughters will follow on their parents' footsteps of normalized pain and conscious submission to a humiliating system. It is for this reason that I argue that free higher education will be the biggest salary increment our parents will ever receive in their lifetime. It is through these lens that we suggest the commission looks at the current higher education funding crisis. And it is for these reasons that we propose the immediate realization of free higher education for poor and working class students will be the highest salary increment our parents will ever receive in their lifetime.

6. Feasibility of Providing Fee-Free Higher Education and Training in South Africa

6.1 The Nxasana Task Team and PricewaterhouseCoopers have estimated the cost of introducing grants and loans for "poor and working class students" and "missing middle" at around R **50 Billion**.

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6.2 Having accounted for variations in cost between contact and distance students, Historically Disadvantaged Universities and Elite institutions, we have estimated the cost of introducing free higher education for students from households with an annual income below R 300 000 between a conservative R 35 Billion and R40 Billion.

6.3 The introduction of free higher education for poor and working class students is particularly feasible because, on the one hand, the poor constitute an overwhelming majority students at relatively cheap Historically Disadvantaged Institutions such (e.g. University of Venda) and Universities of Technology (e.g. Tshwane University of Technology) and on the other hand they constitute a minority of students at expensive elite universities such as Wits University; Stellenbosch University and the University of Cape Town.