

Protesting Policy



*Interrogating Free Decolonised
Higher Education Funding*

Summary¹

The FeesMustFall protests in 2015 broke out against nearly a decade of unaffordable fee increases at institutes of higher education. Between 2007 and 2012, universities increased total fees by 8.4% p.a. in real terms. This was driven by rapidly increasing enrollment (6% p.a.), slow growth in government funding that failed to keep up (5.4% p.a.), and nearly no growth in third income streams (0.2% p.a.). NSFAS, the financial aid scheme tasked with making higher education accessible to all, was hopelessly underfunded (31% of eligible candidates were rejected in 2014) and the eligibility cut off of R122 000 household income left a large proportion of “missing middle” students fully exposed to the fee increases, thereby facing exclusion or crippling debt repayments.

A range of issues beyond financial exclusion quickly surfaced with the protests: outsourcing of workers, epistemic violence, cultural exclusion and the role of the university in relation to society - all tying into the political trajectory of universities as a result of the 1994 compromise and ultimately leading to calls for “free decolonised education” that reimagine our society.

The education system has failed the majority of South Africans, and black people in particular. Of the one million pupils who start in grade 1, only 40% matriculate. The proportion of white students who matriculate is nearly double that of black students, and is decisively determined by exclusive access to good quality schools. Thus, poor people are severely underrepresented at university: while nearly 70% the population have a household income below the NSFAS cut off of R122 000, only 25% of students enrolled in universities come from these households. For those who do not make it into higher education, employment prospects are bleak and continued poverty becomes a reality.

Those who do make it are subjected to humiliating NSFAS means tests and given too little funding to cover all expenses related to their studies, contributing to higher dropout rates. Similar problems are faced by an additional 40% of university students who are in the “missing middle” and struggle to find loans. Students who drop out or contribute to large basic family expenses as first generation graduates find themselves burdened with debt and unable to realise their dreams.

The call for free decolonised education reimagines education in opposition to the university’s current role of reproducing racial, economic and social inequality. For higher education, this means that social relations between the university and the community need to be reinvented. The historical roles must be subverted, including the dominance of historically white institutions in higher education. Universities become sites of decolonisation, where the connectedness of struggle becomes the work of the student, worker and academic alike. Eliminating financial exclusion is an important aspect of changing university spaces into *public* centres of knowledge.

¹ This is a shortened version of research arising out of an agreement between protesting students and management at UCT. The authors are Ihsaan Bassier (chair), Lukhanyo Velelo, Saarah Coenraad, Aliya Chikte, Chwayita Wenana, Gloria Murithi, Wandile Dhlamini and Nompumelelo Mtsweni. Contact ihsaanbassier1@gmail.com with any queries.

How can this be done? We focus on funding aspects in this review, comparing six sources. Government can fulfill fee-free higher education by raising the corporate and highest personal income tax rates by 2%, or reallocating funds from defence/economic affairs. Funding would be a transfer from privileged groups, not for example from basic education. Community service has the potential to take the “centre” to the peripheries as graduates serve marginalised communities and help break structural inequalities. Case studies abound from Mexico to Nigeria, but the benefits are mainly social and in restructuring the economy rather than in increased direct funding for higher education. Corporate contributions to higher education may improve the funding crisis, but carry risks of further privatisation, commodification and unreliability.

Other funding schemes improve access, but carry over many current shortcomings such as commodification, debt and Black Tax. Fees could be restructured so that households above R300 000 income progressively fund the system, though this relies on the continued overrepresentation of wealthy households in universities. Set at appropriate levels, a graduate tax system could account for the high private returns graduates gain due to the structure of our economy. Similarly for income contingent loans, where the repayment rates are critical to fairness.

There is consensus that financial exclusion must urgently be eliminated in higher education. Universities have a responsibility to forge a different path that reimagines the role of higher education in our social structure. More broadly, FeesMustFall aims to confront the deeper constraints arising from powerful constituencies outside of the university system and that hold dispossessed the masses of our country.

Broad Context

Protest context

The funding crisis

- **University enrolments increased by 6% per year between 2007 and 2012**, while the government’s contribution (block, earmark and NSFAS) grew in real terms by 5.4% per year. Third stream income fell far behind, increasing in real terms by only 0.2% per year.
- Additionally, inflation for higher education is approximately 2% above national inflation.
- Universities responded by **increasing total fees at an average real rate of 8.4% p.a. from 2007-2012.**²
- **31% of qualifying applicants for NSFAS in 2014 could not be funded** because there were insufficient NSFAS funds, and university fees became less and less affordable to those just above the NSFAS threshold.³

² Lehohla. 2016. *Financial statistics of higher education institutions*, Statistics South Africa.

³ NSFAS. 2016. *Annual report 2015/2016: Towards a student centred model*

- The fee increases sparked the 2015 FeesMustFall protests and resulted in a zero percent increment in 2016, paid for by a R5.6 billion injection from government. Following the 2016 protests, a zero percent increment was announced for households earning less than R600 000 (NSFAS beneficiaries and missing middle) and NSFAS received R10.6 billion extra over 2017-2019.⁴ However, the high *level* of fees has not been resolved and will continue to be protested.

But the call for free education is about much more than funding...

- Institutional issues that have provoked student protests range from the desire for better services and facilities, decolonised curricula and demands for greater involvement in decision-making so as to dismantle hierarchies in institutions of higher learning.⁵
- The slogan “Free Decolonised intersectional Afrocentric Socialist Education” alludes to the deeper political economy critique protesting students are expressing. For example, implementation of insourcing was demanded across the country as a channel towards a living wage, and as a critique against the neat categories of skilled and unskilled labour and the large salary differences of academics compared to workers. This demand interrogates *whose work is valued* in our society. Outsourcing excludes workers from the university and further perpetuates existing class, race, and gender hierarchies in the university, community and South African society at large.⁶

How do we decolonise education?

- Ngugi wa Thiong’o argues that Decolonizing the Mind is about Africans being able to see themselves in teaching and learning. Mbembe suggests that decolonization of buildings and of public spaces is connected to democratization of access.⁷
- “For students universities are places of study, but for workers in the university it is a workplace.” Decolonising labour is seeing workers’ essential role in the functioning of the institution, and abolishing the hierarchy of value that academics and management hold over workers.⁸
- A slogan from queer members of the movement is “the movement will be intersectional or it will be bullshit”.⁹ Intersectionality is the overlapping of identities and the positioning of a person in layers of privilege and oppression.
- The struggle for free decolonised education extends beyond campuses. No struggle is isolated from society. Connecting struggles is the recognition that student struggles are

⁴ Daily Maverick. 2016. *R17bn over 3 years needed to fund higher education - Gordhan*.

⁵ Kamanzi. 2016. *Decolonising the curriculum: the silent war of tomorrow*. Accessed [22/2/2017]: <https://www.dailymaverick.co.za/opinionista/2016-04-28-decolonising-the-curriculum-the-silent-war-for-tomorrow/#.WKSSc2996M8>

⁶ Lockett & Pontarelli. 2016. *#OutsourcingMustFall: Unity in Action in South African Universities*. Accessed: <http://brooklynrail.org/2016/03/field-notes/outsourcing-must-fall>

⁷ Mbembe. 2015. *Decolonizing Knowledge and the Question of the Archive*. Aula magistral proferida.

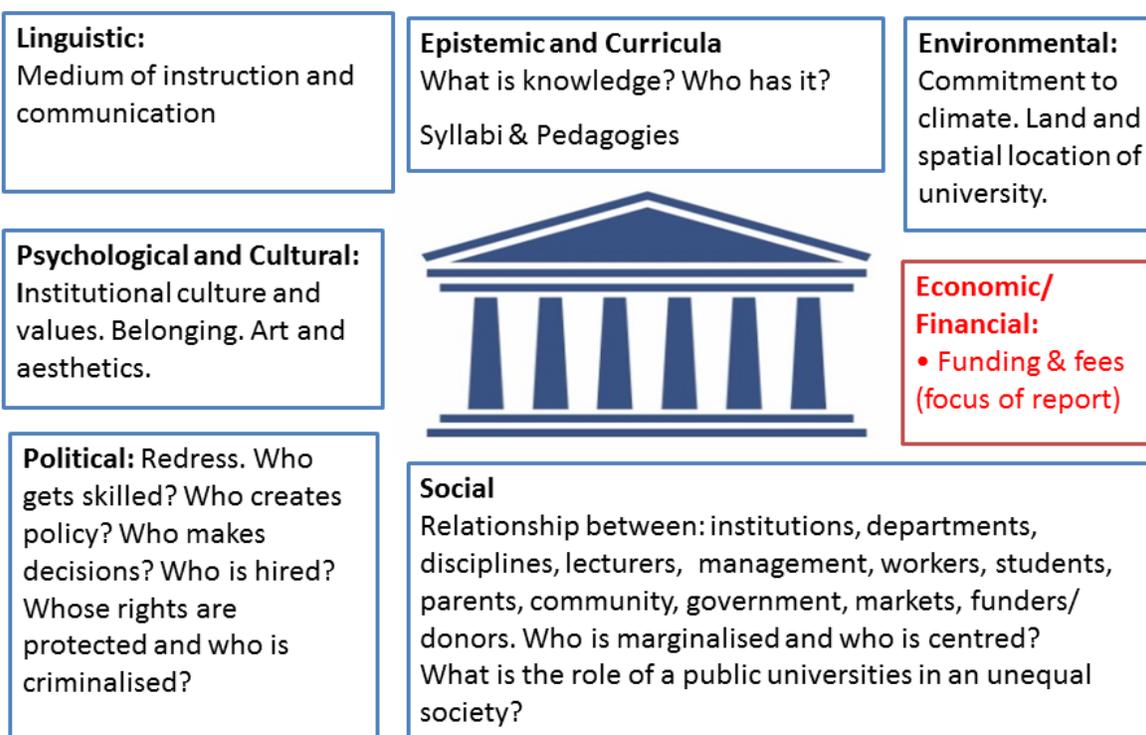
⁸ Garba. 2016. *Garba on the working class in free education*, Pathways to Free Education, p34.

⁹UCT: The Trans Collective. 2016. Facebook post, Accessed [9/3/2017]: <https://www.facebook.com/transfeministcollective/posts/1135817076485007>

worker struggles, immigrant struggles are working class struggles, and feminist struggles are land struggles.¹⁰

- Fees Must Fall students popularly express that the broader struggle is for land as black dispossessed people: in struggle, the end of mass oppression is always a result of mass unity in struggle and action.
- This is a time of connecting struggles into a broader conversation about a post-capitalist society, and engaging new organisational processes that centre peripheral communities into sustainable action. This is particularly important since the most severe constraints to Free Education lie outside of the higher education system.

Free Decolonised Education



Decolonising society - Where are we with the 1994 compromise?

- The ANC reached a negotiated compromise in 1994 that won political rights but protected white economic power.¹¹ Patterns of economic power and social relations remained intact. Changes in South Africa thus came with continuities resulting in the current frustrations.¹²
- The realisation of the freedom charter became less of a possibility as the new

¹⁰ Garba. 2016. *Garba on the working class in free education*, Pathways to Free Education, p34.

¹¹ Klein. 2007. *The shock doctrine*, p243

¹² Grossman. 2016. *In the Spirit of Marikana: Disruption, Workers and Insourcing*. Accessed: <http://roape.net/2016/02/18/in-the-spirit-of-marikana-disruption-workers-and-insourcing/>

democracy consolidated. The massacre of Marikana mine workers demanding a living wage in 2012 is widely seen as symbolic of the country's failure to address its legacies of inequality and exploitation.¹³

- The structure of the current education system is such that it helps reproduce inequality: learners from poor rural and township areas access mainly lower quality schools and leave school with low levels of skills, predetermining them towards unemployment or underemployment; while the children of elites access high quality teaching and learning that steers them towards highly paid professional and technical vocations.¹⁴
- Today, South Africa has the highest levels of inequality in the world. The richest 1% of the country's population own 42% of the total wealth.¹⁵ South Africa's inequality exists along racial lines, where black broadly represents poor and white broadly represents rich.¹⁶
- The higher education system is thus both a symptom and a cause of the structure of our society, and efforts towards changing it must therefore address the underlying structure.

The Education system

Basic education - throughput and inequality

- Out of a cohort of South African students who enroll in grade 1, **40% complete grade 12** on average.
- The General Household Survey of 2011 reports that only 44% of Black and Coloured youth aged 23-24 had attained matric, compared to 83% of Indian youth and 88% of White youth.¹⁷
- Many who drop out are financially excluded. 23% of male students and 18% of female students who dropped out said it was because they could not afford to stay in school. 24% of female students dropped out because of pregnancy.¹⁸ Another reason for dropping out is that they are working or looking for work, which is a form of financial exclusion
- Grade repetition is much higher among poorer students. In 2010, 30% of the poorest grade 11 students had repeated at least one grade whereas only 8% of the richest grade 11s had repeated.¹⁹
- Resources are worlds apart: In 2009, 34% of previously black schools had at least one

¹³ SA History online. 2017. *Marikana Massacre 16 August 2012*. Accessed: <http://www.sahistory.org.za/article/marikana-massacre-16-august-2012>

¹⁴ Jonas, City press. 2017. *Moving SA out of its low-growth and high-inequality trap*.

¹⁵ News24Wire. 2017. *The wealth of these three billionaires is equal to the bottom half of the country*. Business Tech.

¹⁶ Finn, Leibbrandt & Ranchhod. 2016. *Patterns of persistence: Intergenerational mobility and education in South Africa*. SALDRU Working Paper Number 175/ NIDS Discussion Paper 2016/2.

¹⁷ Spaull, N. 2015. *Schooling in South Africa: How low-quality education becomes a poverty trap*. In De Lannoy, A, Swartz, S., Lake, L and Smith, C (eds) (2015) *South African Child Gauge 2015: Youth and the intergenerational transmission of poverty*. Cape Town: Children's Institute, University of Cape Town.

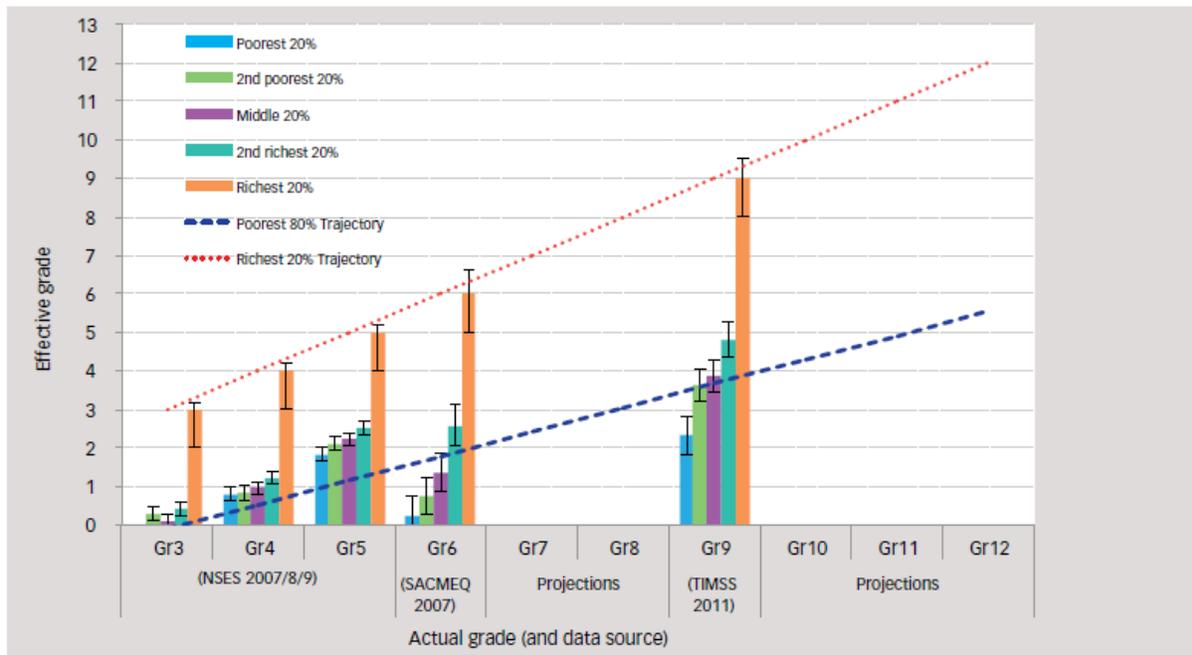
¹⁸ Branson, Hofmeyr, & Lam. 2013. *Progress through school and the determinants of school dropout in South Africa*. SALDRU Working Paper 100. Pg 8-9.

¹⁹ Branson, N., Hofmeyr, C. & Lam, D. 2013. *Progress through school and the determinants of school dropout in South Africa*. SALDRU Working Paper 100. Pg 7.

library compared to 91% of previously white schools. 9% of black schools, 60% of coloured or indian schools and 89% of white schools had access to at least one computer.²⁰

- The graph shows that students attending the poorest 60% of schools fall behind in their learning very early on and never catch up, while students at the wealthiest 40% have learning trajectories which match the grade they should be in. By grade 9 students who attended the poorest 60% of schools are 5 “years” of learning (based on scores) behind wealthier peers.²¹

South African mathematics learning trajectories by national socio-economic quintiles



- Thus, a primary constraint to democratising access to higher education is in basic education. Students from quintile 5 and independent schools end up dominating access:²²

QUINTILE	Gained access to any undergraduate program	Gained access to undergraduate degree
1	9.2%	4.4%
2	11.2%	5.5%
3	14.7%	7.4%
4	23.5%	13.7%
5	45.2%	34.9%

²⁰ Borhat, H. & Oosthuizen, M. 2009. Determinants of Grade 12 Pass Rates in the Post-Apartheid South African Schooling System. *Journal of African Economies*. 18 (4): 634-666.

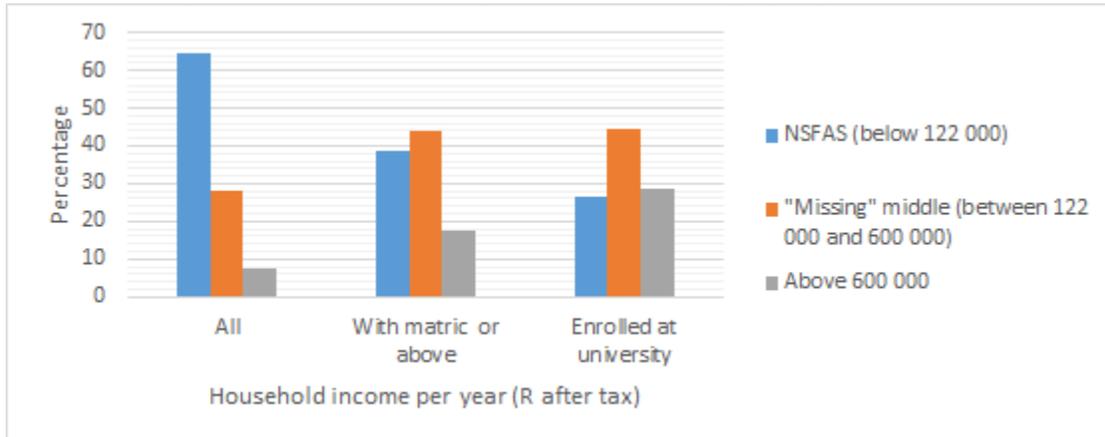
²¹ Spaull, N. 2015. *Schooling in South Africa: How low-quality education becomes a poverty trap*. In De Lannoy, A, Swartz, S., Lake, L and Smith, C (eds) (2015) *South African Child Gauge 2015: Youth and the intergenerational transmission of poverty*. Cape Town: Children’s Institute, University of Cape Town.

²² Data from UCT’s Institutional Planning Department. Own calculations.

Post school - Who can afford university?

- The majority of the country (65%) are from households that earn below the NSFAS (unofficial) cut off of R122 000 per year. Even when considering those with the matric qualification, poorer people are severely underrepresented at universities.²³

Proportion of population by each income category (ages 18-65)²⁴



- Resources, culture, distance from home to university (especially given who lives on the outskirts of the city) and many barriers beyond fees place extra stress and costs on poorer people.

"I don't know Cape Town, I don't know UCT, I don't know which direction I would go if I were to look for this place, and you don't know who to ask because everyone around you is panicking [...] At the end of the day, if you don't have a place to sleep and you are on the waiting list, what are you going to do?"²⁵

Education in the economy and society

- The long-term unemployment rate for degree holders is only 4%, significantly lower than individuals with Grade 8-11 (31%) or matric (26%).²⁶
- Among the employed, a degree holder earns almost triple what someone who has only completed Grade 9 earns (controlling for race, gender, age and province).²⁷
- Thus gaining access to higher education has strong implications for your economic agency and ability to lead a financially secure, decent lifestyle.

²³ Note we do not focus on 20-24 year olds as this excludes older age groups, many of whom were denied the opportunity during Apartheid and also need to improve employability prospects (in addition to social and epistemological reasons).

²⁴ Own calculations using Income and Expenditure Survey 2010/11.

²⁵ Quote from qualitative interviews

²⁶ Borhat, Cassim and Tseng. 2014. *Higher education, employment and economic growth: exploring the interactions*. Labour Market Intelligence Partnership, Cape Town.

²⁷ SALDRU Fact Sheet. 2016. *Economic returns on investment in education*.

- It remains unclear whether higher wage earners really are more *productive* than “unskilled” workers. Higher education may simply aid an elite in reproducing class status and opportunity hoarding.
- Despite the inequality and the fact that the majority of the labour force are unskilled, economic growth in South Africa favours high-skilled jobs.²⁸
- There are public economic benefits to higher education: increasing the productivity of the labour force, increased innovation and the ability to transfer foreign technology into home markets.
- However, understanding education purely in terms of economic benefit reinforces the neoliberal paradigm. The contributions of people who do valuable work everyday but are not rewarded in monetary terms, such as homemakers looking after children, are overlooked. Social cultural and psychological benefits to education, such as post-colonial theory or African theory, are also excluded.

Institutional context

Ideology and the evolution of higher education institutions

- Historically, universities have been responsible for promoting particular values; selecting dominant elites; training of the labour force; and innovation. Most universities were instrumental in justifying the imperialist values which assisted colonisation.²⁹
 - Neoliberalism found its prominence as a global economic ideology in the wake of 1980.³⁰ At UCT in 1999, workers, who had been directly employed by UCT with the associated benefits, were declared auxiliary to the functioning of the university and outsourced.³¹
 - Universities continue to drive ideology today; for example, the normalisation of market practice extends beyond commerce into “neutral” fields such as engineering.³² The demand for free education confronts this ideological shift towards marketisation in the HE sector (government and institutional policies) and beyond.
 - Government proposals for reform focus on redress, access, overall quality, research, internationalisation, institutional autonomy, and integration into the labour market.³³
- Policy has mainly focused on TVET colleges** through increasing enrollment. NSFAS gives a 100% bursary to all TVET recipients (note fees are much lower than university).

²⁸ Reddy, Borat, Powell, Visser and Arends. 2016). *Skills Supply and Demand in South Africa*. LMIP Publication, Human Sciences Research Council, Pretoria. Accessed [03/03/2017]:

http://www.hsrc.ac.za/uploads/pageContent/7429/LMIP_SkillsSupplyandDemand_Sept2016.pdf

²⁹ Cloete & Maassen. 2015. *Roles of universities and the African context. Knowledge production and contradictory functions in African higher education*, p 1-17

³⁰ Williams & Taylor. 2010. *Neoliberalism and the Political Economy of the 'New' South Africa*, p21.

³¹ Left Student Forum. 2015. Facebook, posted 13/12/2015. Accessed [10/3/2017]:

<https://www.facebook.com/UCTLSF/posts/795670557225309>

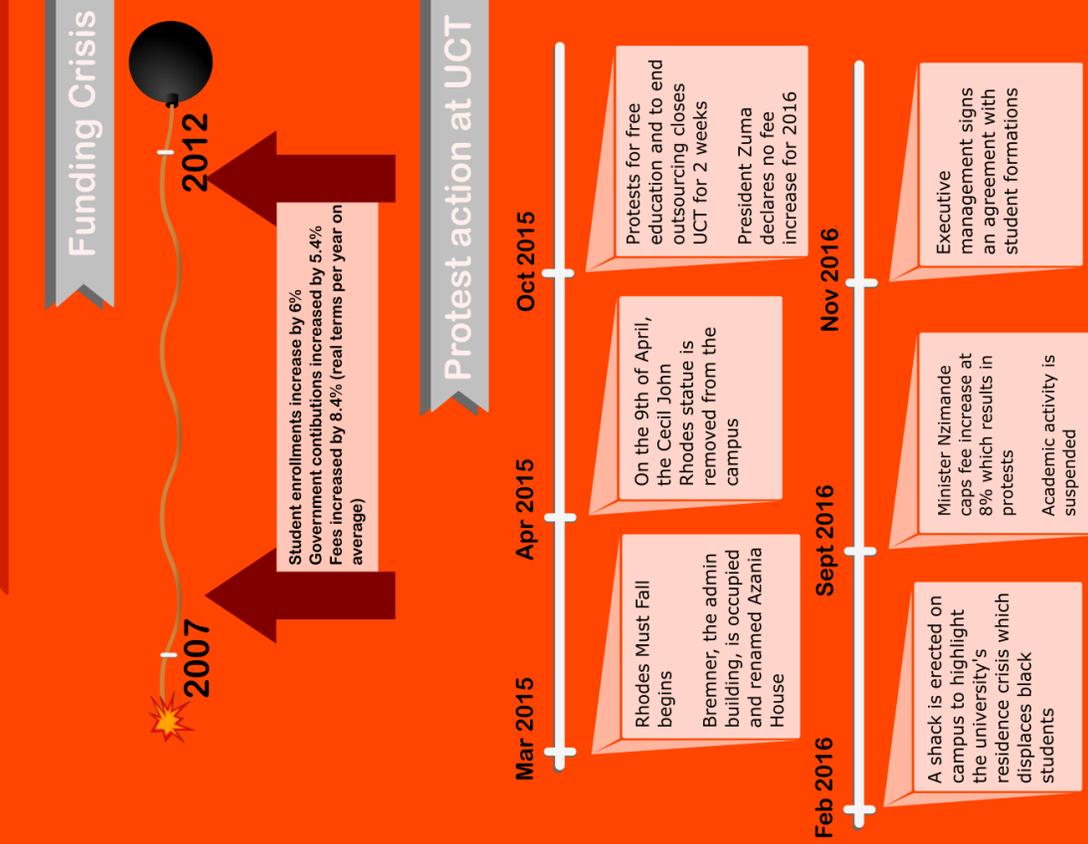
³² Kamanzi. 2016. *Decolonising the curriculum: A student call in context*. Accessed [22/2/2017]:

<http://www.universityworldnews.com/article.php?story=20160527145138375>

³³ DHET. 2012. *Green paper for post school education and training*. Accessed [22/02/2017]:

http://www.che.ac.za/media_and_publications/draft-legislation/dhet-green-paper-post-school-education-and-training

History of Higher Education



1916

First university for Black South Africans, **Fort Hare**, was established

Apartheid

Extension of University Act decreased black enrollment at white universities

The Apartheid system was designed, through segregation and funding, to lead to educational dead-ends: black students could not progress.

1959

Post-Apartheid

Merged universities and technicians into one system intended to correct inequality between historically black and white institutions

State funding reforms reproduced historically under-resourced institutions

Policy now focused on TVET colleges 152 Technical and Vocational Education and Training colleges (previously FET colleges) became 50

Future Policy

Dept of Higher Education goal by 2030: 50% of young people must be studying in higher education

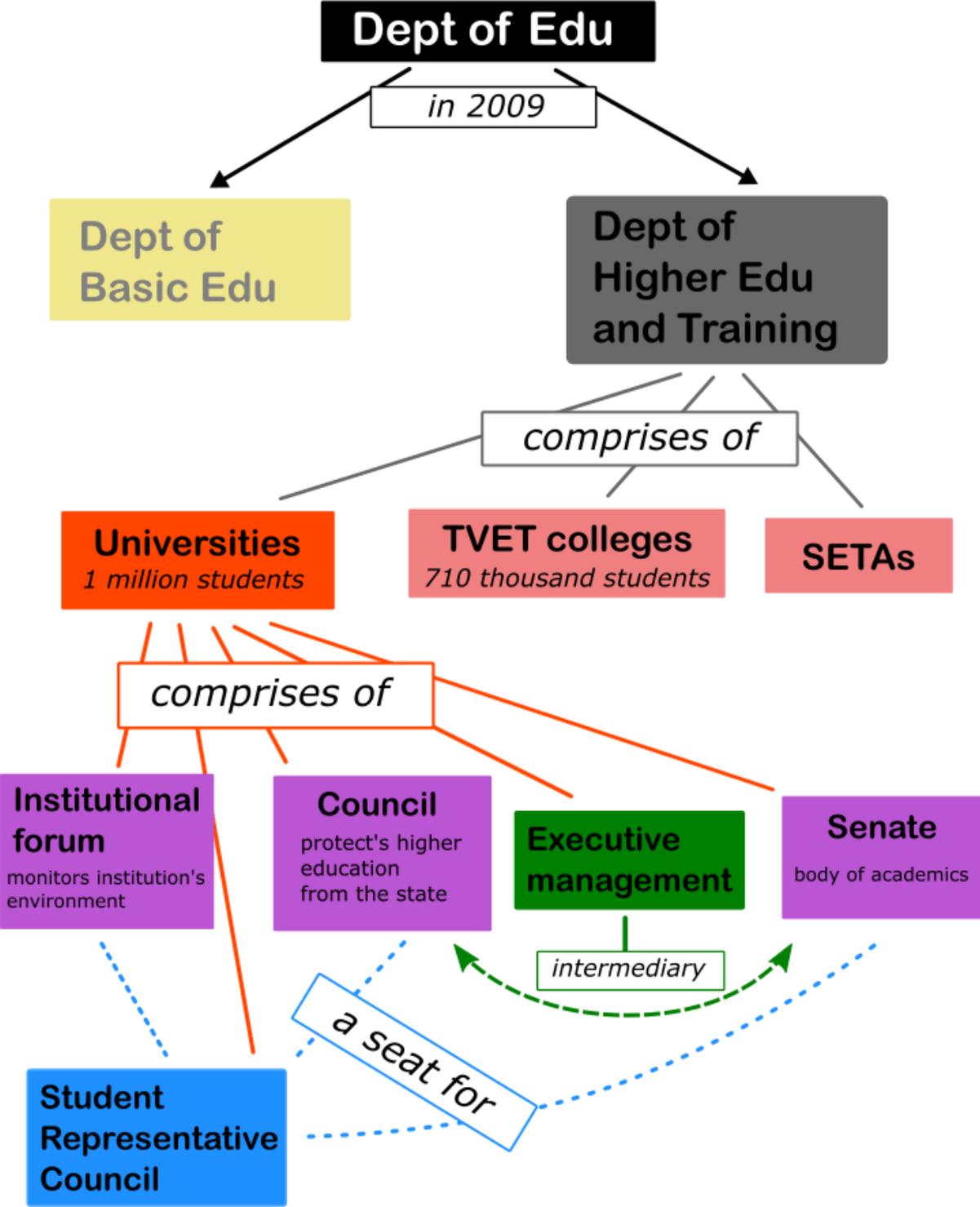
Ask Yourself

Considering this would require a 5% per year growth in third stream funding - **which has never been achieved** - how realistic is this goal? Between 2007 and 2012 it only grew by 0.2% per year

Ask Yourself

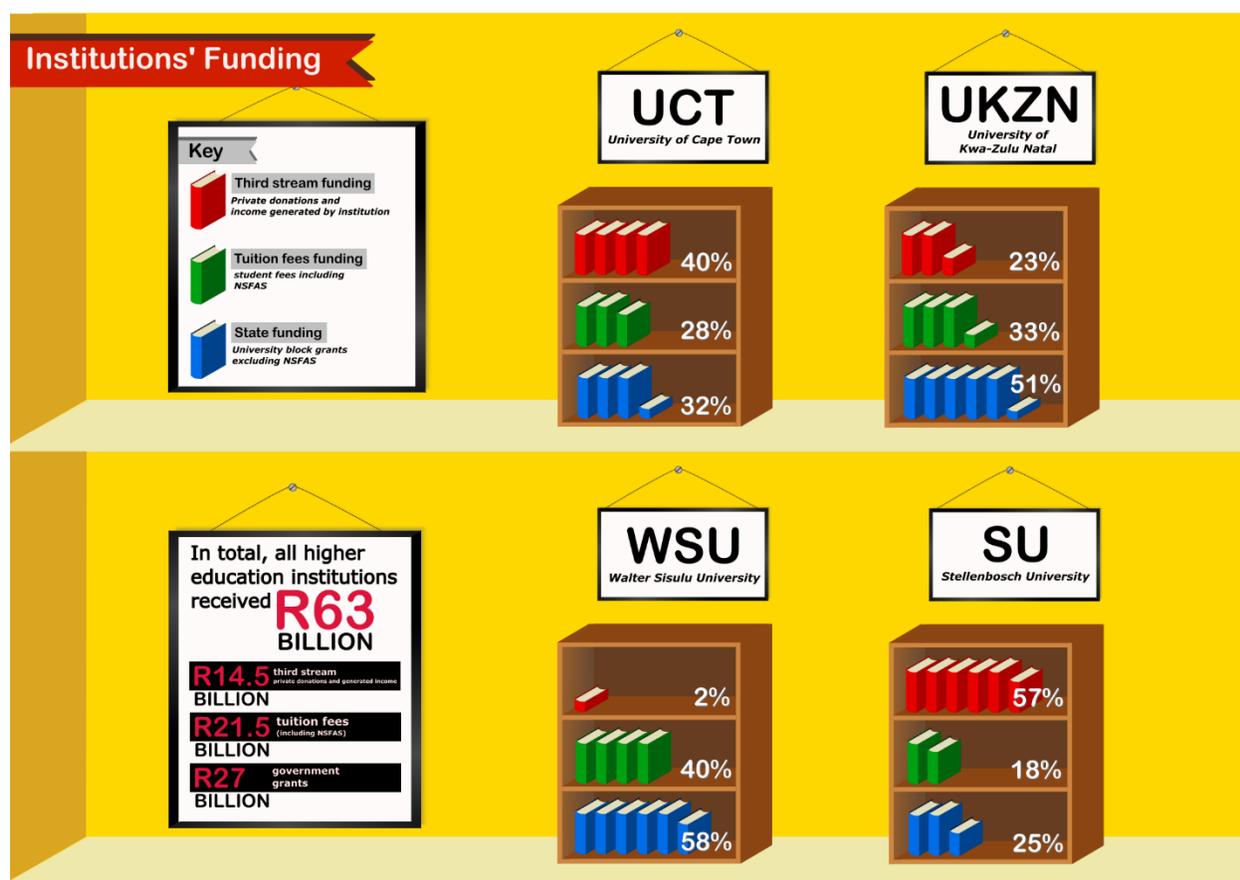
In 2013, only 19.5% of youth were enrolled in higher education - **how realistic is this goal?**

Governance structure in Post Secondary Education and Training



How are universities funded?

- South Africa spent 0.7% of GDP on higher education in South Africa in 2015 compared to 4.5%, in Cuba, 1.8% in Malaysia, 1.4% in Ghana, 1.2% in India and 1% in Brazil.³⁴
- R63 billion was received by all universities in 2015. Government grants contributed the most with 43%, followed by tuition fees at 34% (including NSFAS), and third stream income (private donations and income generated by universities) of 23%.³⁵
- Noting that 78% of NSFAS funding was allocated to universities and the rest went to TVET colleges,³⁶ we estimate that government contributed R29.5 billion in grants and NSFAS combined to universities in 2015, equivalent to 47% of total university revenue. Fees excluding NSFAS contributed R18.5 billion to universities (29%).³⁷
- The unequal quality of HEIs is reinforced by the unequal spread of private donations, with historically disadvantaged institutions receiving less funding.³⁸



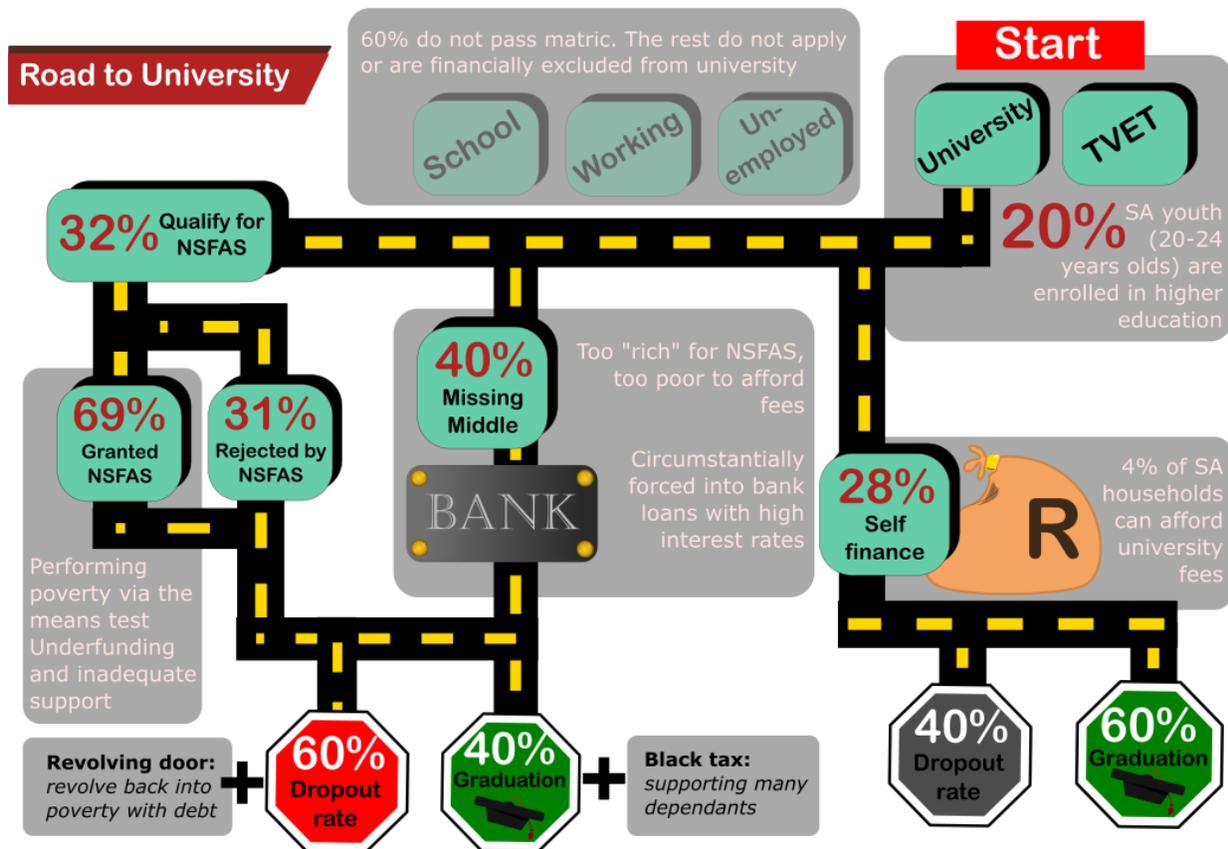
³⁴ Cloete. 2016. *Fees and sustainable development: moving the higher education fees debate from ideology to evidence*. Presented to SLSJ, Johannesburg.

³⁵ Lehohla. 2016. *Financial statistics of higher education institutions*. Statistics South Africa.

³⁶ National Treasury. 2016. *Performance and Expenditure Review: NSFAS*.

³⁷ It is unclear whether the non-fees Full Cost of Study contributions from NSFAS such as food and accommodation allowance are counted as university income. See appendix.

³⁸ Lehohla. 2016. *Financial statistics of higher education institutions*. Statistics South Africa.



Access and enrolment

- **19.5% of 20-24 year olds were enrolled in Higher Education in 2013.**
- Black students are severely underrepresented: 55% of all white youth were students, compared to 15% of all African and Coloured youth.³⁹ Similarly, the income distribution of households with students attending university is highly skewed: The majority of students come from the richest 20%.⁴⁰
- Thus, race-based redress complements income-based policies. A study of affirmative action at UCT indicates that “higher income black African applications are not displacing low income white applications due to affirmative action”.⁴¹
- Access to loans is decisive for many poor students: A 2011 study on Eduloan applicants found that being granted a loan increased the chance of enrolment by 50%.⁴² However, even for those granted a loan, banks charge high interest rates which increases the pressure on students while studying and thereafter.

³⁹ Annexure 3 Higher Education Transformation Summit. 2015. Department of Higher Education and Training. Pg 15.

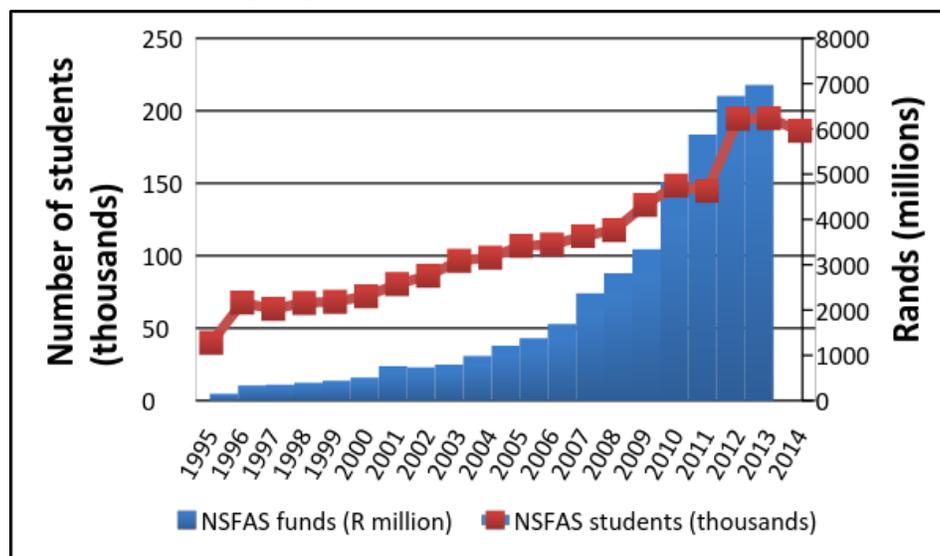
⁴⁰ Cloete. 2016. *University Fees in South Africa: A story from evidence*. Presented at UCT.

⁴¹ Kerr, Piraino & Ranchod. 2016. *Estimating the size and impact of affirmative actions at the University of Cape Town*, SALDRU.

⁴² Gurgand, Lorenceau & M'elonio. 2011. *Student loans: Liquidity constraint and higher education in South Africa*. Pg 15.

- **The graduation rates at contact universities are under 60% even after 6 years.** For UNISA, a non-contact university, graduation rates are much lower at below 15%.⁴³
- Inadequate (financial, academic, psychological and emotional) support has exacerbated students' frustration about how university is unfriendly to poor black students. Financial worry, institutional ostracisation and systematically inadequate academic preparation of students before and during studies set students up for failure.
- The end result is that only a portion of those who gain access qualify. 12% of 29 year olds had a higher education qualification in 2011.⁴⁴

NSFAS funds and enrollment over time⁴⁵



The National Student Financial Aid Scheme (NSFAS)

- NSFAS covers a calculated allowance for tuition, travel, accommodation, food and books. The **Means Test assesses financial need** based on estimated household expenses. The informal cut off is R122 000 household income per year (lots of variation). NSFAS awards are a combination of bursary and loan, where the loan proportion increases with income. A maximum of 40% of the loan is converted into a bursary if recipients pass all of the courses they were registered for in that year; for final year there is a 100% bursary conversion.⁴⁶
- **31% of qualifying applicants for NSFAS in 2014 could not be funded** because there were insufficient NSFAS funds.⁴⁷ This is direct financial exclusion.

⁴³ Simkins. 2016. *South African Higher Education Reviewed: Two Decades of Democracy*. Kagisano Number 10: Student funding, Council for Higher Education.

⁴⁴ Simkins. 2016. *Funding: Two decades of democracy*, p45, in Kagisano Number 10, Council on Higher Education.

⁴⁵ NSFAS. 2016. *Fact Sheet 1: The impact of NSFAS over time*.

⁴⁶ National Treasury. 2016. *Performance and Expenditure Review: NSFAS*.

⁴⁷ NSFAS. 2016. *Annual report 2015/2016: Towards a student centred model*

- The proportion of PSET students on NSFAS rose from 19% in 2000 to 25% in 2014. On average at universities, **a quarter of students held NSFAS loans** in 2013. Both the number and size of awards grew at over 10% from 2009-2012.⁴⁸
- NSFAS recipients begin loan repayments of between 3-8% of salary once they earn more than R2500 per month. The ratio of recoveries to awards is low, under 5%. A total of R24 billion is owed by past and current NSFAS recipients, with recovery unlikely.⁴⁹

Shortcomings of NSFAS

- NSFAS recipients emphasise unsuccessful marketing and communication with the public on how to apply, who qualifies, where to apply and what NSFAS covers - resulting in eligible candidates being financially excluded.
- NSFAS cap is less than the average cost of studying at 18 of 24 universities. DHET concedes that **underfunding “contributes to a high dropout and failure rate”**.⁵⁰
- One cohort study of NSFAS-funded students studying 3 and 4-year degrees shows that dropout rates exceed 60%, almost double the dropout rate recorded for all students.⁵¹ Another study disagrees, finding little difference.⁵² At UCT where there is a GAP funding (support up till R600 000 annual income), the proportion of students on financial aid academically excluded was double compared to all students (~33% v.s. 15%).⁵³
- **“Revolving door syndrome”** - Up to two-thirds of NSFAS debt (before write-offs) is held by individuals who dropped out, who are then trapped by debt.⁵⁴
- Students’ level of poverty is checked using a **means Test** which is expensive to administrate and forces students into **“performing poverty”**.
- **Black Tax** penalises first generation graduates in particular, who struggle to cope with the additional loan repayment.⁵⁵

“Sometimes you ask yourself. What’s the point of furthering your studies. Interests are accumulating. This becomes the debt you have incurred for coming to school, and so by further studying you are incurring more debt...”⁵⁶

⁴⁸ Cloete, Sheppard & van Schalkwyk. 2016. *Fees and sustainable development: moving the higher education debate from ideology to evidence*. Centre for Higher Education and Transformation.

⁴⁹ Gumede. 2016. *Billions owed to student financial aid scheme NSFAS*. Business Day.

⁵⁰ Ministerial Committee on the Review of NSFAS (2010)

⁵¹ National Treasury. 2016. *Performance and Expenditure Review: NSFAS*.

⁵² Van Broekhuizen, Van der Berg, & Hofmeyr. 2016. *Higher Education Access and Outcomes for the 2008 South African National Matric Cohort*. The authors do not find significant differences between NSFAS recipients and other students in graduation or drop-out rates after 5 years of study.

⁵³ 5 year horizon of cohorts 2007-2009. Data obtained from UCT’s Institutional Planning Department.

⁵⁴ National Treasury. 2016. *Performance and Expenditure Review: NSFAS*.

⁵⁵ Chabalala. 2016. *Black people find themselves having to pay ‘black tax’ - survey*. Accessed:

<http://www.fin24.com/Economy/black-people-find-themselves-having-to-pay-black-tax-survey-20161108>

⁵⁶ Qualitative interview with student asked about their experience of NSFAS.

Models for funding free education

- There is national consensus across university management, students and government that there should be no direct financial exclusion. There is disagreement, mostly along student v.s. institutional lines, on implementation, student debt and decommodification.⁵⁷
- In 2015, **R18.5bn was required for fee-free education for all**, keeping Full Cost of Study (FCS) for NSFAS recipients only. **Funding free education with FCS for all required R40bn.**
- What are the implications of the models for implementation, debt and decommodification? Does “free” education allow scope for deferred payment such as income contingent loans, as long as there is no financial exclusion? Our analysis facilitates these debates.
- As criteria for comparing sources of funding, we suggest **impact, implementation, redress** and **vision for society**.⁵⁸ Criteria and their relative weighting are based on principles and worldview, and must be debated.
- We analyse six sources for full or partial funding.

Government funding

- Corporate tax: 19% of 2015 tax revenue. Currently, the tax rate is flat at 28%, down from 34.5% in 2012 and 50% in 1990.⁵⁹ An increase to 30% would raise R13 bn per year,⁶⁰ but may affect international competitiveness and FDI attraction.⁶¹
- Income tax: 36% of the 2015 tax revenue. The income tax rate has also decreased: the top marginal tax was 50% in 1987.⁶² The introduction of the new tax bracket in 2017 (45% tax above R1.5 million compared to 41% before) is projected to add R4.4 bn.⁶³
- Wealth tax: donations, capital gains, dividends from shares and estate taxes target the wealthy, but an increase from 15% to 20% is unlikely to produce more than R2bn p.a.⁶⁴
- Skills Development Levy: Currently businesses pay 1% of total salaries towards the SDL fund which is used for training. An increase to 2% would raise R13bn p.a. Since this taxes employment directly, it may slow economic growth or be passed on as a cost to workers.
- New taxes - An Apartheid windfall tax would target companies that benefitted from Apartheid and could raise a once off amount of R26bn.⁶⁵

⁵⁷ We reviewed over 50 submissions from individuals, universities, student organisations and government bodies to the Fees Commission of Inquiry into Higher Education and Training, established in January 2016. Website: <http://www.justice.gov.za/commissions/FeesHET/submissions.html>

⁵⁸ See longer document for deeper analysis of models, including evaluation on these criteria.

⁵⁹ SARB. 2015. *Tax Chronology of South Africa: 1979–2015*. Accessed: <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/6922/Tax%20Chronology.pdf>

⁶⁰ As suggested by the Wits model (see summary later)

⁶¹ SALDRU. 2017. *F(ree) higher education: A School of Economics engagement*, p 6.

⁶² SARB. 2015. *Tax Chronology of South Africa: 1979–2015*.

⁶³ National Treasury. 2017. *Budget Review*, p 44.

⁶⁴ SALDRU. 2017. *F(ree) higher education: A School of Economics engagement*, p 6.

⁶⁵ SALDRU. 2017. *F(ree) higher education: A School of Economics engagement*, p 6.

- Re-prioritising the budget - R171 billion is spent on defence, public order and safety; R206 billion is spent on economics affairs. Is this necessary and pro-poor?
- A key debate is why this money should go to higher education rather than, for example, basic education or housing. FMF students see this logic as disingenuous: the choice is not between health and higher education. Rather, money is taken from privileged groups (e.g. through taxing the rich) and then distributed across these sectors.

Graduate Community Service

- Graduates receive some of the highest salaries with no additional return to government (beyond standard tax), despite their qualifications being a result of large public subsidies.
- The state could save R5.1 billion per year by making a year of community service compulsory for all graduates.⁶⁶ The average vacancy rate for 2013-2015 in the public service was 11% of the total of 1.2 million employees (132 000 vacancies), close to total graduates of 170 000.⁶⁷
- We believe that there is tremendous economic and social benefit in communities having access to lawyers, community healthcare workers, teachers, and financial assistance. The model envisions universities as fundamentally connected to society, in a way that challenges the tendency of the market to produce structural inequalities.
- Non-professionals such as science graduates could be placed in high schools. Film and media students could run government communication campaigns. However, administration and salary expenses may outweigh the savings associated with paying graduates less than their market equivalent salaries; the posts available may not match the skills level of graduates; and there may be insufficient absorption of graduates.⁶⁸
- The quality of education may improve since it will prepare students for a year in public service and thus the curriculum should become more relevant to a South African context.
- Case studies - The evidence suggests that programmes have sped up rural infrastructure development (Nigeria); increased rural school enrolments, literacy levels and living conditions (Nepal); and improved rural welfare and development in medicine (Mexico).⁶⁹ In South Africa, there is community service for Health Science. In Cuba after the revolution, the illiteracy rate fell from 25% to 4% over one year due to a massive community service programme.⁷⁰

⁶⁶ This is our own calculation based on rough estimates. Depending on the salaries received and number of graduates employed, this figure could change significantly.

⁶⁷ Department of Public Service and Administration. 2016. *2015/16 Annual Report*. Accessed [20/02/2017]: <http://www.dpsa.gov.za/documents/Annual%20Report%202015-2016.pdf> Note this period is before the current government freeze on non-critical hiring.

⁶⁸ Department of Higher Education and Training. 2015. *Report of the Working Group on Community Service for Graduates in South Africa*. Accessed [20/02/2017]: <http://www.justice.gov.za/commissions/FeesHET/docs/2015-Report-WorkingGroup-CommunityService-Graduates.pdf>

⁶⁹ Perold & Omar. 1997. *Community service in higher education: a concept paper*. Joint Education Trust.

⁷⁰ Independent. 2010. *Latin lessons: what can we learn from the world's most ambitious literacy campaign*.

Fees restructuring

- Fees restructuring could involve progressively charging higher fees to richer students, which would avoid the current subsidies going to them. Like the national income tax system, there would be brackets with differential fees based on total income.
- We calculate that, at internationally competitive fees rates for the highest bracket, university can be fee free for all those from households with under R300 000 gross income, with slowly increasing contributions above.⁷¹
- This model relies on the fact that higher income deciles are over represented, and therefore is incompatible with an equal access society. It also entails the undesirable extension of the means test (“performing poverty”).

Graduate tax

- Graduates from public HEIs would pay a percentage tax progressively higher than what a non-graduate in the same income bracket would pay.⁷²
- The rich pay more, but confined to those who benefited from the Higher Education system.
- Discussion: Should past graduates pay? These graduates were still heavily subsidised, and most of them benefited directly from Apartheid education and labour policies.

Example of graduate tax rates by income bracket (exact tax rates are up to public debate)⁷³

Tax bracket	Proportion of graduates	Fee-free tax rate	Average annual contribution	Full Cost of Study rates	Average annual contribution
R0-R190000	17%	0.0%	R -	0%	R -
R190,000-R300,000	12%	0.0%	R -	1%	R 2,400
R300,000-R410,000	11%	0.5%	R 1,800	2%	R 7,100
R410,000-R550,000	14%	1.0%	R 4,700	3%	R 14,200
R550,000-R700,000	12%	2.0%	R 12,500	4%	R 25,100
R700,000-R1,500,000	29%	2.5%	R 24,500	5%	R 48,800
R 1,500,000 upwards	6%	2.5%	R 46,500	6%	R 111,400

⁷¹ See detailed document for model.

⁷² Council on Higher Education.2016. *Student Funding Kagisano 10*. Available: <http://www.che.ac.za/sites/default/files/publications/Kagisano%20Number%2010%20-%20Student%20Funding%202016%20-%20electronic.pdf> [2017, February 22]

⁷³ Own calculations using Income and Expenditure Survey 2010/11.

Summary of the six sources of funding⁷⁴

Source of funding	Features	Main benefits	Main downsides	Amount of funding	Key issues
Government	Reallocation of budget or increase in tax.	Targets the wealthy. Decommmodification.	Subsidy benefits rich students.	Up to budget allocation	Trade offs against other social spending
Community service	Graduates work in public service for a year.	Solidarity; service under-resourced areas.	Admin and placement costs	Less than R5.5bn	May not contribute to funding.
Fees restructure	Progressive fees dependent on income.	Rich students pay more; poor students pay less.	Relies on existing over representation of rich students	Cross-subsidisation	Performing poverty
Graduate tax	Graduates pay higher tax on income	Enrollment not linked to fees	Black tax invisible; May be abused.	Full: 1% or 2% additional tax above R300 000	Tax rate? Include past graduates?
Income contingent loans	Repay loans after earning threshold.	All students guaranteed finance.	Debt; black tax.	Constrained by repayment rate	Minimum repayment threshold
Corporate	Incentives for investment, e.g. tax, B-BBEE	Private sector contributes.	May be unreliable	Unlikely a lot. 2015 private donations < R2bn.	Private sector interests

Universally guaranteed income contingent loans

- These are loans that are guaranteed to all students (nobody is directly financially excluded). A progressive proportion of earnings is deducted once recipients start earning beyond a pre-specified threshold.
- As a purely illustrative example, a full cost of study of R80 000 (DUT) is paid through a loan from government. Once you start earning above R100 000 a year, repayments of 2% on your salary start. Repayments end when the loan is fully repaid or after 30 years.
- Many of the systemic problems of NSFAS remain, including “debt slavery”, no consideration for first generation students (Black Tax) and revolving door syndrome. The rich don’t pay more. However, this system will reliably improve access while attributing

⁷⁴ Note again that these models could be mixed to achieve enough funding and make up for each other’s main downsides - the public needs to creatively engage these sources of funding.

costs to beneficiaries. A more effective loan recovery mechanism than currently used by NSFAS will have to be set up to be sustainable.

- What is the maximum loanable amount? What is the minimum income threshold before repayments begin?

Corporate funding

- Corporations rely on the supply of skilled labour produced through higher education. Currently, their only specific contribution is through the Skills Development Levy (SDP).
- Options to encourage corporates to contribute more include B-BBEE incentives (see ISFAP). The necessary incentives for profit-maximising corporates may simply shift state revenue indirectly from elsewhere (e.g. tax rebates or SDP).
- This funding is voluntary and may therefore be unreliable. It is likely only a partial source of funding. Although it would decrease financial exclusion (e.g. many companies currently give bursaries), this allows private sector interests to drive enrollment and curriculum.

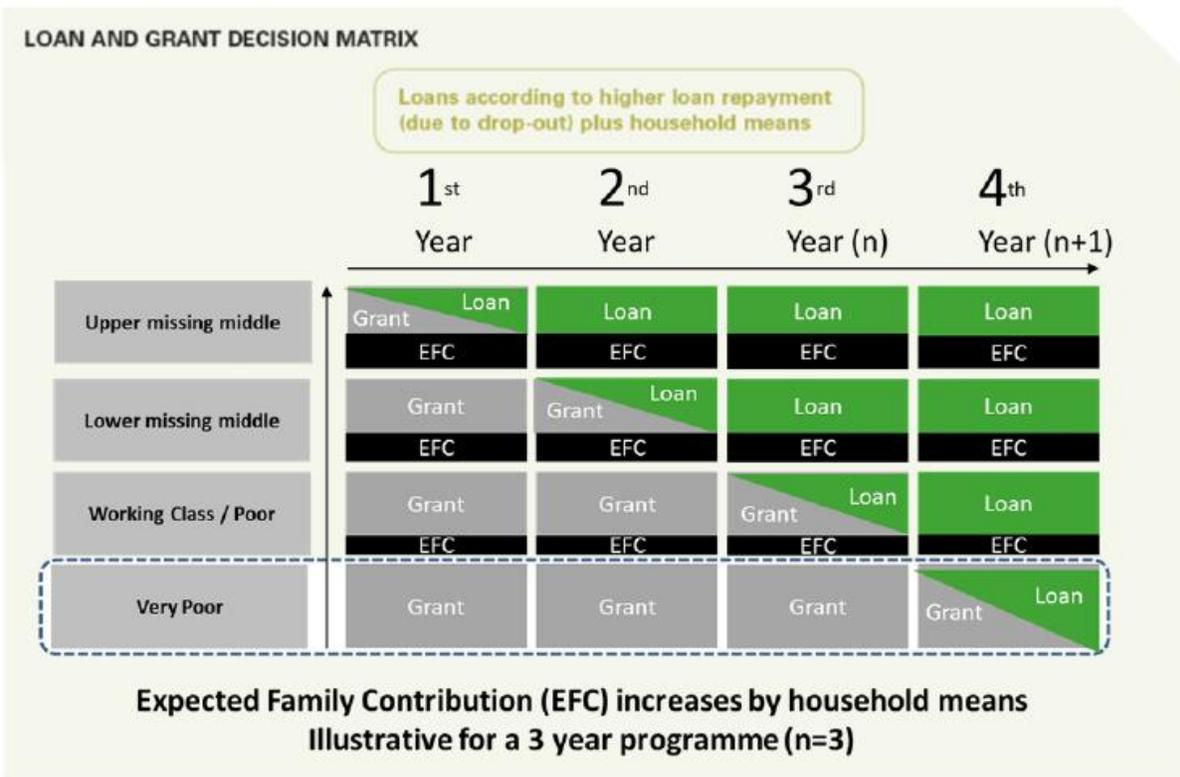
More detailed summary of specific funding models

Two models deserve analysis of their specific funding mixtures and policies: models from the government and (a group of) Fees Must Fall students.

Ikusasa Student Financial Aid Programme (ISFAP)⁷⁵

- ISFAP will extend NSFAS by providing full grants to very poor students and loans to the missing middle (household income below R600 000 p.a. or 65% of students);
- R42bn is planned to be raised using public grants and private sector sources such as corporates, banks and debt financial instruments, social investors, foundations and donors, incentivised by B-BBEE incentives and tax breaks
- Students will face many of the same obstacles: “performing poverty”, “debt slavery”, “revolving door syndrome”, exclusion through unreasonable criteria/paperwork, and underfunding - however, financial exclusion should be reduced.
- Funding targets are ambitious: by 2020, R15 billion will come from a B-BBEE Skills Development Levy - despite SETA levies amounting to R16bn in total for 2016. Another R10 billion will come from private capital markets, and relies on ISFAP establishing a successful track record. R5 billion is to come from DFIs, CSIs and foundations.
- The scheme leaves quality and enrollment vulnerable to underfunding. In case of shortfalls, there is no contingency plan: financial exclusion will continue as before.
- The ISFAP gazette makes reference to preferring high demand occupations in case of funding shortfalls. This reproduces the labour market structure.

⁷⁵ This is the government’s proposal: Department of Higher Education, South Africa. 2016. *Report of the Ministerial Task Team to develop a Support and Funding Model for Poor and “Missing Middle” students.*



WITS Fees Must Fall model

- Principles: No student should pay to learn or be forced to prove their poverty, i.e. free education for all. To account for Black Tax, there should be no debt or graduate tax. There should be a collective approach to fixing higher and basic education. The rich should fund HE, and this should not be limited to a 4 year timeframe.
- Sources of funding:
 - 10% “Independent Capital Infrastructure Fund” which incentivises corporations through tax breaks, and with investment from pension funds.
 - Higher Education Endowment Fund with contributions from ONE of the following: increase in Skills Development Levy (1% to 2%), corporate tax (28% to 30%), top tax rate, and Apartheid windfall tax.⁷⁶
- Rollout on a sliding scale beginning with the current NSFAS cut off and extending upwards in the income distribution over a given time period.
- The role of higher education is reimagined. There is a shift from a “user fee” model to Higher Education as public knowledge centres. However, there are no practical aspects of the model (such as graduate service) that put this in practice.

⁷⁶ Based on our estimates earlier, it is unlikely one of these will singularly generate enough funding.

Selected model proposals and their sources of funding

Proposed model	Govt subsidy	Community service	Fees restructure	Income contingent loans	Graduate tax	Corporate
ISFAP ⁷⁷	Increase	No mention	No mention	Includes missing middle	No mention	B-BBEE and tax incentives
Wits Fees Must Fall ⁷⁸	50% subsidy; increase taxes	No mention	No mention	Only while free edu is phased in	No	10% infrastructure fund
Motala et al ⁷⁹	50% subsidy; Millionaire tax.	Compulsory to repay public good of edu	No mention	No mention	No mention	No mention
Cloete ⁸⁰	Increase in line with international spending	No mention	Progressive fees	Expand into missing middle	Justified by high private returns	No mention

General discussion points

- **Fee-free education for all or for the poor?** A targeted system that avoids subsidising the wealthy, but forces low income students to “perform their poverty”, is likely to incur “missing middle” exclusion at the cut off point, and limits the contribution of high income families to a short time frame. Note that many of the funding sources above avoid these problems by deferring payment, e.g. the graduate tax, community service or guaranteed income contingent loans (though each has its own problems).
- **Commodification of education** - The pursuit of education is for profit (through increased worker productivity) and not on its educational value or societal impact. Knowledge is turned into private property by restricting access based on ability to pay. Universities currently reproduce existing social relations and reinforce class structure

⁷⁷ DHET. 2016. *Report of the Ministerial Task Team to develop a support and funding model for poor and “Missing Middle” students*. Accessed: http://www.dhet.gov.za/SiteAssets/Gazettes/MTT_Report.pdf

⁷⁸ Wits Research Task Team. 2016. *Thuto ke lesedi: A Model for Fee-Free Undergraduate Higher Education in South Africa*. Accessed: http://www.globalstudentvoice.org/wp-content/uploads/Thuto_ke_Lesedi.pdf

⁷⁹ Motala et al. 2016. *Submission to the commission of inquiry into higher education and training (the fees commission)*. Access [25/02/2017]: <http://www.justice.gov.za/commissions/FeesHET/submissions/indv/2016-FHETC-Sub-IndividualSubmissions-Part02.pdf>

⁸⁰ Cloete. 2016. *University student fees – A trilemma of trade-offs*, Submission to the Fees Commission on behalf of CHET. Accessed: <http://www.justice.gov.za/commissions/FeesHET/hearings/set1/day02-CHET-SubmissionUWN.pdf>

through fees, while creating social mobility for some. Decommodified education prioritises solidarity, access and social impact in learning and outcome.

- **Workers at HEIs:** Currently, workers who wish to pursue higher education are academically and financially excluded. The call for decolonisation requires that workers are able to participate in the classes they care for.
- **Adult education:** Generations of adults who are workers today never had access to higher education under apartheid. Those who want to 'return to learning' - to access knowledge, gain formal qualifications, or to up-skill, should be encouraged.
- **Should universities become more selective?** High dropout rates and debt (worse for students on financial aid) suggest that support per student should be greater. Universities may then have to accept fewer students. Black poor student enrollment would likely then decrease.
- **Coverage:** Does the model include TVETs and the rest of the PSET sector? What happens to students who drop out? Are all levels of education included, e.g. post graduate students? Are international students (particularly SADC) included?
- **Student freedom:** Funding models which incorporate a household contribution component deliver a lot of leverage into the hands of parents or whoever controls family/household finances. This can be used to prevent students studying what they want (e.g. only paying for “sensible” degrees) or to prevent students studying at all.
- **Black Tax** - In addition to debt incurred while studying, poor first-time graduates are often expected to provide for their extended families. In some cases, the graduate becomes the breadwinner of the family. The disposable income of debt-ridden first-generation graduates is therefore significantly smaller compared to wealthier students. The weight or load of carrying family and community aspirations, “being the first graduate” in the family/community, is further emotionally and psychologically taxing.
- **What broader funding changes should FMF push for?** Though difficult to earmark for higher education funding, these could free up funds for social spending - in line with the movement's progressive aims. For example, a corruption watch could crack down on both government and business. A People's Bank could decrease the government's reliance on the international finance system and provide cheaper credit so that less can be spent on servicing debt (R163 billion in 2017) and more on direct social services. Thus the credit option described in the income-contingent loan model would not only be applicable to tertiary education but also for the development of the marginalized communities, e.g. housing, healthcare, and food security.⁸¹

⁸¹ Monetary theorist Professor Werner explains that the productive spending by the government can be funded through interest-free credit expansion without sacrificing growth. Watch an interview here: <https://www.youtube.com/watch?v=6pU3tw5let4>