

Funding of public higher education institutions in South Africa

Current model for universities

The cost of delivering university education in South Africa amounts to close to R50 billion annually. South Africa subscribes to a funding framework in which costs are shared among the beneficiaries of university education (mainly government and students).

State contributions to university education declined from 49% at the beginning of the century to 40% by 2012, while the burden on students increased from 24% to 31% during the same period. It is therefore not surprising that each calendar year starts off with student protests demanding free education or lower tuition fees or a cap on tuition fees. The report of the ministerial committee reviewing university funding³, recommended that capping of fees should not be implemented. The Minister of Higher Education and Training in his foreword to this report, expressed the view that “the capping of student fees is an area that I believe requires further attention”.

From 2010 to 2012 tuition fees at the 23 public universities in South Africa increased from R 12.2 billion to R 15.5 billion, while enrolments only increased by 7% during the period. At the same time, student debt rose from R2.6 billion to R 3.4 billion – an increase of 31% over two years. In light of the dependence of universities on tuition fees as a source of revenue, a scrapping or capping of tuition fees would leave universities with a major revenue shortfall.

Let's look at international jurisdictions to see how other countries are approaching tuition fees.

Selected international comparisons

Different countries fund education differently. We will look at the models applicable in Germany, the United Kingdom and the United States.

Higher education has historically been state funded in Germany, since education has been regarded as ‘a public good’. In 2006, the German Constitutional Court ruled that tuition fees did not conflict with Germany's commitment to universal education and as a result tuition fees were introduced. After exploring tuition fees for almost a decade, public universities in Germany have now abolished tuition fees for undergraduate students in all 16 states – the last state did this during 2014. Higher education in Germany is therefore free again, with 84% of funding coming from government.

The United Kingdom introduced tuition fees for the first time in 1998, with an upper cap of £1 000. This cap increased to £3 000 in 2004 and in 2010 the cap on tuition fees was removed, which enabled universities to charge students up to £9 000 annually.

More than half of the UK universities announced their intention to charge students the full £9 000 in annual tuition fees. In the UK, the state contributes 30% of the cost of higher education. During the 2015 UK election campaign, the future trajectory of tuition fees has been a hotly debated election issue.

In the US, which has one of the most expensive higher education systems in the world, the state contributes 34% to the cost of higher education. State-funding for public universities decreased significantly over the last decade, which resulted in an increased reliance on tuition fees as a source of revenue. This also resulted in student debt in the US exceeding \$1 trillion for the first time in 2014, which is bigger than the nation's credit card debt of \$0.7 trillion.

In his state of the nation address in 2015, President Obama proposed that the state fund two years of community college education for every citizen with an interest in progressing towards a degree and with sufficient academic marks. The higher education model whereby students share in the cost of education is truly under pressure in both the USA and the UK.

Future funding of higher education

The National Development Plan (NDP)⁵ requires the higher education sector to increase enrolment levels annually from 950 000 in 2010 to 1.6 million by 2030. Unless we find ways to reduce the costs of delivering higher education, an increased enrolment will require increased funding.

While South Africa is spending 0.75% of its gross domestic product (GDP) on higher education, the US and the UK spend 0.9% of GDP on higher education and Germany spends 1.1%. I agree with the ministerial committee's recommendation that Government should increase the level of spending on higher education. Increasing Government's spending from 0.75% of GDP to 2% of GDP will relieve the burden on students to fund their own education.

Sources:

- DHET 2010: Audited financial statements of the universities for the period 2000/01 to 2011/12
- Moving Forward: Trends in annual reporting by South African public universities - September 2014
- Report of the Ministerial Committee for the Review of the Funding of Universities - October 2013, released February 2014
- OECD Indicators: Education at a Glance 2014
- National Development Plan 2030, Our future - Make it work, 2012