

University Turmoil

19 October 2016

SA has 26 universities. On average over the last few weeks classes have been suspended at 8 to 9 of those (depending which week one looks at). The list includes both top-rated and other universities.

Of the more than one million students enrolled at the 26, about 5% participated in class disruptions. An even smaller percentage engaged in the violent behaviour that saw destruction of property.

That small percentage has, however, caused a lot of damage: total damage this year is estimated at R300 million and the number is rising; and comes on top of an estimated R300 mil in the previous financial year.

The unrest has obviously breached the boundaries of acceptable protest, and the powers that be (both government and the universities themselves) will have to wrestle back control of the campuses. .

At the time of writing this it looked as if the tide was turning. The number closed was down to 5 or 6; some classes were resuming even if protestors were still protesting outside or in the streets.

Myth and reality

The main narrative around the student demands is that a) government has been starving the universities, expecting them to teach ever-growing numbers of students on shrinking budgets, and b) students are “entitled” and unreasonable – as one Facebook warrior put it, “They want everything for free”. Does the hard data support these views?

Two research reports by KPMG and Prof Philippe Burger from Free State University help us distinguish myth from reality.

Student numbers

The first reality is the extraordinary growth in student numbers over the past 20 years. It has more than doubled from less than 500 000 in 1994 to over one million now. The growth was particularly pronounced since 2000 – the headcount went from just below 600 000 to over one million. The growth is to be celebrated, but funding such a huge expansion is not easy.

The university funding model

South African universities get their funding from three sources: government, student fees and the so-called third stream or private sector support. It comprises income from donations, endowments and reserves, paid research and the commercialisation of research. Let’s look at what happened in each stream.

Government funding

Contrary to popular belief, Prof Burger finds that since 2005, when higher education was re-organised and 36 institutions merged into 23, the government subsidy per student has remained constant at R19 000 per student in 2010 Rands. This is confirmed by research done for the National Planning Commission.

To keep the subsidy constant *whilst the university population exploded* required substantial extra money from government. Indeed, the higher education budget increased almost 2.6 times from R3.74 bil in 1994 to R9.66 billion in 2015, measured in constant 2010 Rands, thus getting rid of inflation. (Inflation clouds the issue severely – the nominal number in 2015 was R30 billion).

In short, student numbers have doubled and government funding almost trebled (2.6 times).

International comparison

Even so, government spending on higher education remains relatively constrained when compared internationally. We currently spend less than 0.75% of GDP, whilst the average for African countries is 0.78%, with some countries like Senegal and Ghana spending 1.4% of GDP. Australia spends 1.24% of GDP and Cuba a whopping 4.47% (no wonder they are currently training 3 000 SA doctors!).

Capital investment versus current expenditure

Not all government funding is available for current budgets i.e. salaries and running costs, which is where universities are feeling the squeeze. A large part of government spending on universities goes to capital projects, so the money is not available for current budgets

For example, two new universities are being established (Sol Plaatje in Kimberley and University of Mpumalanga in Bombela). That requires considerable capital. A new medical school was founded at the University of Limpopo (the first intake was this year); and several universities received capital for new residences or faculties (like a new, expanded Engineering Faculty for Northwest University in Potch).

This money is included in the government subsidy to universities, but is obviously not available for current budgets.

Research funds ring-fenced

Furthermore, some of the funds allocated to universities and included in the numbers above, are ring-fenced for research and cannot be used for current expenditure either.

Funds allocated in the national budget to the Department of Science and Technology, which the latter then allocates to universities for research, are not part of the government contribution quoted here. Those funds too are ring-fenced and can only be used for research. Good for research, but it does not relieve the pressure on current budgets.

Decline in private sector (third-stream) funding

A surprising finding in Prof Burger's research is the decline in private sector funding to universities from 2008 onwards. The date is no co-incidence – that was the aftermath of the Global Financial Crisis and the recession. On a per student basis, private funding in real terms (after inflation) declined by between 10% and 30% at most institutions. This has a direct impact on universities' income stream.

Student fees

If government's contribution remains constant and third-stream income shrinks, how do universities make their budgets work? They raised student fees – and they did so by much more than inflation.

KPMG calculated that fees increased at 9% p.a. compared with CPI of 5.5% (between 2009 and 2015). Put differently, headline inflation increased by 45% over the period, whilst university fees increased by 80%. Prof Burger's research confirms that since 2009 tertiary education inflation outstripped CPI inflation by a considerable margin.

Ability to pay

This rise in student fees is the proverbial unstoppable force that hit the immovable object of the inability to pay.

KPMG calculates the average after-tax household income in SA for 2016 as R140 000. Average household size in SA is about 3.3 people, so 3 to 4 people must live from that R140 000. Tuition fees alone for a first year Bachelor's degree come to R40 000, according to KPMG. Add accommodation, food, transport, books and so on and the actual cost can approach R100 000. Clearly that R140 000 household income, shared between 3.3 people, cannot pay for a degree.

With household income already stretched and fees inflation much higher than general inflation, the scales are tipped not just against the poor, but also against middle-class families. That brings the whole "missing

middle” problem to the fore (too poor for aid, but not rich enough to afford university).

A complicating factor around fees is Prof Burger’s observation that historically black universities charged lower fees than white universities. The re-organisation of universities in 2005, which saw many historically black institutions merge with historically white ones, generally meant better access and improved quality, but also higher fees for students now attending those traditionally white institutions.

What now?

- A commission of inquiry under a retired judge is busy investigating the whole issue and we would have to see what it recommends.
- In the meantime the ANC as party, government and through its MPs in Parliament have argued against free education, insisting that “the rich should pay”.

So What?

- The unrest is affecting a minority of SA universities and involves a very small minority of students.
- The real picture is much more complicated than either the students or their critics aver.
- A perfect storm was created by the doubling of student numbers; the decline in third stream or private funding; and the increases in fees more than inflation, which put more and more pressure on both poor and middle class families.
- As for government funding, after inflation or in real terms it has grown by 4.8% a year since 1994 – making nonsense of the allegation that the fiscus deprived universities.
- Some government funding is ring fenced for infrastructure, expanding the system and strengthening the base; and research, which helps to build the country’s technology base. Both sets of investments make nonsense of the allegation that the entire system will collapse. As Mark Twain said “reports of my death are greatly exaggerated”.
- Control of the campuses must be wrestled back by the authorities and the 5% are free to protest but not to burn and destroy.