

# Fees and the financial sustainability of universities

SOUTH Africa is recognised as one of the most unequal countries in the world and it is widely accepted that increased access to quality higher education contributes to greater social justice, transformation and development.

Simply stated, the most sustainable manner in which the state can break the cycle of inter-generational poverty, stimulate the economy, create appropriate jobs, redress imbalances in society and reduce inequality is by increasing its investment in higher education.

This has been powerfully foregrounded by the nationwide **#FeesMustFall** movement, which is resolute in calling for free higher education for all.

As a country, we need to fundamentally rethink how universities are funded. In a paper prepared for the Higher Education Summit in 2015, the Department for Higher Education and Training provided an in-depth overview of the state of higher education funding in South Africa.

On average, DHET funding is estimated to account for 40% of the universities' income, which has gradually been declining from a level of 49% since 2000. Other funding sources include tuition fees, accommodation fees, research income and donor funding.

The need for the government's subsidy

allocation to keep pace with inflation is a matter that needs urgent attention, especially given that the total student enrolments in the higher education sector have increased from 495 348 in 1994 to 960 299 in 2014.

Of these enrolments, the proportion of African students increased from 43% in 1994 to 71% in 2014.

This has required that financial assistance for the poor be dramatically increased and, as a result, the government's allocation to the National Student Financial Aid Fund (NSFAS) has increased from R71-million in 1994 to R6.6-billion in 2014, and the number of students supported has increased from 28 260 in 1994 to 186 150 in 2014.

In spite of this dramatic increase in investment in financial aid, in 2015-16, South Africa's state budget for universities, including funding for NSFAS, as a percentage of Gross Domestic Product (GDP) was 0.72%, which is less than Africa as a whole (0.78%). When compared with the Organisation for Economic Cooperation and Development countries (1.21%) and the rest

of the world (0.84%), South Africa lags behind.

As a result of declining subsidy funding, universities have relied too heavily on student fees to make up the shortfall. In 2000, fees accounted for 24% of university income, compared with 33% in 2013. Furthermore, it is estimated that student fees increased on average by 9% per annum from 2010 to 2014, which is considerably higher than national inflation of 5-6% over the same period.

NMMU is acutely aware of the burden these funding challenges have placed on our students, particularly those from poor and so-called "missing middle" families. In response to the issues raised by **#FeesMustFall**, NMMU introduced the following interventions:

- Loan funding for 1 531 academically deserving, financially needy students to an amount of R21-million;
- Assistance with down-payment relief for 5 043 academically deserving and financially needy students, including the "missing middle", resulting in a R30-million negative cashflow at the end of February this year;

- An allocation of R25.4-million to zero Expected Family Contribution (EFC) students as a contribution towards purchasing books, food and accommodation; and
- Measures to end outsourcing to an amount of R34.5-million in 2016.

As at August 31, NMMU was owed R198-million in accumulated fees debt.

Experience has shown us in recent years that broadening access to quality higher education, most especially to the poor, carries additional costs. Opening the doors of learning to all requires that universities address broader systemic issues impacting negatively on the academic success of economically vulnerable students.

This includes student nutrition and food security, access to textbooks and other learning materials in libraries, transport, accommodation, Wi-Fi connectivity and access to computing devices and many other hidden costs that previously did not feature prominently in university student support services.

It goes without saying that universities must be in financially sound positions to ensure that they are able to provide teaching and learning environments conducive to academic success.

Coupled with a commitment from the government to progressively invest more in higher education, universities will need

to devote particular attention to securing their long-term financial sustainability.

Addressing the demands emanating from the **#FeesMustFall** movement calls for a bold and innovative response that draws on the collective creativity of all higher education stakeholders.

Rapidly escalating national and international inflationary costs and stagnant economic growth have brought home the need for universities to implement concerted efforts to diversify revenue sources, improve efficiencies and exercise financial prudence.

NMMU has initiated various measures to secure its long-term sustainability, including:

- Re-imagining revenue mobilisation and restructuring the university's fundraising arm, the NMMU Trust, including a unit that will focus specifically on lobbying for additional funding for student bursaries and scholarships;
- Reviewing the strategic and financial viability of our academic programmes;
- Re-assessing organisational struc-

tures to ensure fitness-for-purpose; and

- Remodelling institutional operations, including the reintegrated services.

The success of these measures in releasing additional resources to address

key strategic priorities, including widening access to higher education for the poor and "missing middle", will depend on the willingness of all stakeholders to work openly and transparently with the university's financial position to co-create a sustainable future.

This will require a collective, multi-stakeholder discussion on the way forward before the end of the year.

In light of the crisis higher education is experiencing, the national government cannot abrogate its responsibility to adequately fund higher education.

Ideally this should be done in partnership with the private sector and other social partners, given that such investments will bring about a more just and equal society.

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## In my View



Heather Nel