

**2016 Southern African Accounting
Association (SAAA)
National Teaching and Learning and
Regional Conference Proceedings**

ISBN number: 978-0-620-74761-5



**MAF 07: An investigation of the factors to consider for a
free higher education system in South Africa**

Mzikazi Ntintelo & Ilse Lubbe (College of Accounting, University of Cape Town)

Contact: ilse.lubbe@uct.ac.za

Abstract

South Africa has been at an uproar since the student protests of October 2015 over the proposed higher education fee increases. The result of which was a 0% fee increment in 2016. Much speculation within the economy has been around how the government fiscus is going to cater for the 0% fee increment and going forward, whether the country can afford free higher education. The overarching issue concerning the goal of increasing higher education participation is that the cost of higher education continues to increase and the funding thereof is limited, placing a barrier on those who qualify for higher education opportunities but cannot afford it.

Against this background, the treasury has allocated an increased amount in its 2016/17 budget to the Department of Higher Education and Training (DHET). The equitable allocation of a limited budget to the different spheres of government based on the valid needs of the citizens of the country remains a challenge. Some argue that the provision of higher education is not necessarily the role and responsibility of government, and that the necessity for basic education requires a higher budget allocation. Further, the concept of free higher education will compromise the quality of the education provided and come at a cost of depriving other areas of service delivery. This raises the question whether free higher education is affordable and feasible, and if so, at what cost?

This study describes the considerations for free higher education in similar developing economies, such as African countries. The South African budget allocation to higher education is then compared over a period of six years, followed by an analyses of a student's cost for studying, and comparing that to the funding that is potentially made available to a student in need. A case is made that the government is already contributing a large amount to higher education (in the form of subsidies to universities) as well as funding through the NSFAS. However, alternative options need to be identified to support students who cannot afford the study fees in order to prevent exclusion based on financial shortages.

Introduction

In the wake of a democratic South Africa, the government pledged to prioritise education, with basic education being its main responsibility. That being said, basic education is only the beginning of an academic foundation of any individual and concerns regarding the rising costs of higher education in South Africa sparked unrests in late October 2015. The nation's reaction towards the rise in higher education fees can be understood at a time when the monetary policy committee (MPC) was fighting to keep inflation down and manage the cost of living. South Africa finds itself in a challenging position, as it needs to increase the number of students from disadvantaged backgrounds in higher education institutions. This should be seen against the limited government resources and the question: should higher education be free in South Africa? And if so, at what cost and on what basis?

Since the beginning of the protest action against an increase in higher education fees in October 2015 across South African higher education institutions, much debate has circulated about the call for a free higher education system to be implemented within the country. Amongst the reasons highlighted for this request, are that there is a need to increase accessibility of higher education opportunities to previously disadvantaged students and that the continuous increase in study fees will negatively affect that goal. Arguments for and against the implementation of free higher education have been raised in South Africa and the standing principle is that the country is in unison about the need to increase the number of students from previously disadvantaged backgrounds in higher education institutions, however the manner in which that will be achieved is where differences in opinion appear.

The plea to cut fee increases for the 2016 academic year was not merely based on the rising cost of higher education that was exacerbated by inflation, but at ground level issues that affected poorer students at higher education institutions. Amongst these ground level issues was financial exclusion of financially challenged students irrespective of academic performance. The challenge for an institution is that the failure to collect fee income results in a shortfall of revenue and backlog of costs to maintain their facilities and resources. The implication of financial exclusion is that even in the instance of a student being academically capable, the limited availability of funding directly affects their ability to remain engaged in higher education.

The important factors to note, therefore, are that the students affected by this cycle are the poorer students who come from impoverished backgrounds and do not have the means to seek alternative funding for student fee debts. The South African reality is that students who come from poor socio-economic backgrounds are almost always the first, in their families, to attend university or a higher education institution. Families will be depending on those students graduating in record time, so as to provide a sustainable income for the family and invest back home, what is commonly referred to as "Black Tax". If a student is no longer able to continue with their tertiary studies due

to exhausted funds and is financially excluded, the expectation is that the student will seek some form of employment so as to help provide for the needs of the family. Of great concern is that the employment sought after is usually hard, non-rewarding labour and very few of these students ever get the opportunity and time to focus on full time studies again.

So much is wrong with the picture created by this cycle, as the consequence of those who don't end up seeking or finding employment is that they become part of the youth unemployment statistic (Van der Bank & Nkademeng, 2014). There is a great urgency in addressing the challenge around funding higher education for students who cannot afford it, and addressing the question whether as a nation, South Africa is currently able to adopt a cost free higher education system. An investigation of the factors to consider for a free higher education system in South Africa will therefore be conducted by this report.

The literature reviewed in the next section focuses on studies that investigate why funding higher education is an issue, globally as well as locally, and who are affected the most. It also considers implications of a free higher education system given the limited resources available to the South African developing economy. Finally, the literature provides some suggestions to increase access to higher education in South Africa.

Literature Review

This literature review concentrates on a few papers, with dominance being placed on South African literature for the purposes of emphasising the most relevant arguments. Of importance to note, is the timing of the dominant literature reviewed. Two of the papers reviewed are by Gerald Wangenge-Ouma (2012, 2010) and are based on research before the student protest action in South Africa in October 2015, evidencing that the issue is not a new conundrum, and is a global issue. "Modern Trends in Higher Education Funding" (Maria & Bleotu, 2013) explains that the issue around higher education fees is not just a South African issue, but that thus far South Africa has been better off than most countries on the African continent in funding higher education and availing access to higher education. Other reviews respond to the issues around the 2015 higher education fee protests in South Africa.

Challenges for funding higher education

There has been a gradual decline in public expenditure on higher education. This decline is not confined to developing countries, such as South Africa, this trend is noticeable globally (Tilak, 2005). The majority of countries in the world charge fees in higher education, in some cases small amounts, while in others reasonably large amounts. In countries such as Sweden and Finland, there is no charge for higher education studies (Tilak, 2005). However, developing countries such as India and

South Africa have hiked study fees selectively, while providing subsidised higher education and funding to many students.

African countries that have employed free higher education in the past include Kenya, Zambia, Mozambique, Nigeria, Burkina Faso, and Egypt. In some countries higher education remains free, however, most African countries have moved towards subsidising higher education to a certain extent and making basic education free (Wangenge-Ouma, 2010). Previously, because the post-colonialism university was seen the driving force of the spurring African development and that charging fees for higher education would obstruct the development and power of individuals, higher education was free in these African nations. It was believed that African economic transformation was going to be achieved through higher education because of the level of skill shortage on the continent. The government's intervention to fully subsidise higher education was therefore to enable many students to benefit from university education. In Africa, free university education meant equity of access was achieved. The implementation and call for free higher education received an overwhelming response in these countries. As such, local and global support for the movement was in abundance. The limited number of students and sufficient resources at the time, made this system possible to implement (Wangenge-Ouma, 2010).

The issue with higher education in these nations was that it became increasingly expensive and unaffordable by the governments especially due to the decreasing economic growth in Africa at the time. The combined effect of strained economies and rising higher education costs lead to these governments decreasing funding for higher education. This issue was exacerbated by the growing demand in Africa for higher education as enrolments increased faster than the planned capacity. The result of this was suboptimal conditions for learning, as decreased government funding created a shortfall in maintaining capacity (Wangenge-Ouma, 2010).

The 2004 World Bank policy paper on higher education emphasised the importance of public higher education in national development (Tilak, 2005). However, this and other similar reports have not made any significant impact on the policies of governments or international development organisations in relation to funding higher education. Tilak (2005) argues that the best method of financing education, including higher education, is financing by the state through its tax and nontax revenues. The White Paper on higher education (Department of Education, 1997) set a broad transformation agenda that is underpinned by a core principle of redress of past inequalities through equity of access and the distribution of achievement along lines of race, gender, class and geography. Higher education, it is argued, emphasises the neo-liberal global trend that emphasises contribution to economic development and global competitiveness by developing a highly skilled labour force and through innovative knowledge production (McLean and Walker, 2012).

In South Africa, the literature reviewed places emphasis on the link between funding higher education and achieving the goal of increasing the number of previously under-represented students in higher education institutions. Wangenge-Ouma (2010) has raised several key issues in *“Funding and the Attainment of Transformation Goals in South Africa’s Higher Education”*. The paper addresses the issues around funding higher education in South Africa and how they can affect access by previously under-represented racial groups, which the study has strictly defined as “African Blacks” and “Coloureds”. The study highlights that the cost of higher education has increased due to the growth in student numbers. The increasing cost is said to harm poorer students the most as the limited availability of funding leaves them with no option but to drop out of higher education institutions or to not participate at all.

A current available source of funding is the National Student Financial Aid Scheme (NSFAS). Student loan programmes, it is argued, seem to create more problems than what they solve (Tilak, 2005) as it has the underlying assumption that higher education is “neither a public good nor a social-merit good, but, rather, a highly individualised private good” (p5), that shifts the responsibility of funding higher education from society to the families and individual students. Poor rates of recovery of student loans is an international problem (Tilak, 2005), where several loan programmes were changed into income-contingent loans, and banks took responsibility for government-operated loan schemes. While we can appreciate the existence of a funding model that assists students in financial need, the funding scheme is partly ineffective as it hardly covers the full cost of studies in most higher education institutions. Because NSFAS caters for poorer students, the remaining uncovered costs still threaten the student’s ability to remain in higher education institutions. Funding therefore creates a huge barrier to access for many students.

Wangenge-Ouma (2010) points to the implication of increasing study fees on access to higher education, highlighting that there has been an evident general decrease in the government’s funding for higher education and that the combination of that issue with increasing study fees magnifies the existence of inequality and socio-economic imbalances. The breakdown of the national funding framework (NFF) points to an “institutional factor grant” that is awarded to a higher education institution on the basis of a large proportion of students registered being students of low socio-economic backgrounds. With government funding showing a decreasing trend, concerns are raised that institutions that house a majority of disadvantaged students get lesser funding, due to decreasing government funding. Those who cannot afford higher education will suffer the most, especially in institutions where most of the students are from the previously under-represented groups (Wangenge-Ouma, 2010).

Government’s mandate is to focus on making basic education free and accessible to all, however, as one of its key priorities, about 5% of the national budget is spent specifically on higher education (Wangenge-Ouma, 2010). On that point it is necessary to understand why there has been a gradual decrease (in real terms) in

higher education funding by the government. Wangenge-Ouma's argument is that the policy around the funding of higher education is based on allocated funding outlined in the annual budget and not the actual costs for higher education. The consequence is a shortfall in allocated funding due to the demands of other essential services like public health, basic education, national defence, etc. Universities has become concerned about cost recovery, resulting in the introduction of 'user' charges for many other services provided, such as housing, food and transport (Tilak, 2005). The decrease in government funding has, for example, resulted in the reduction of funding utilised for constructing new buildings and facilitating repairs and renovations (Wangenge-Ouma, 2010).

The structure of the NFF policy is criticised in that one of the key funding determinants, the institutional factor grant, uses race and not socio-economic backgrounds to determine the part of the government funding allocation to a higher education institution with previously under-represented students as majority. The contention with this is that disadvantaged students of other races that fall under previously under-represented cannot benefit from this funding. Therefore, with a decrease in government funding and an allocation system that favours some and not all previously under-represented students, hope of these students gaining access to higher education in future slowly withers (Wangenge-Ouma, 2010).

This does not only make evident that there's a decreasing trend in government funding for higher education, but also emphasises that higher education institutions have to rely on their own funding (reserves and fee income) or loans for capital expenditure and the result of that is having to increase study fees. Study fee increases are linked to a high drop-out rate of these previously under-represented students because increases in study fees affect the poor students the most. Wangenge-Ouma (2010) concludes this argument by stating that the implications of study fee increases harm the equity of access because universities need to sustain themselves through study fee increases to fulfil their mandate. If government funding decreases over time, much reliance must be placed on study fee income for the maintenance of higher education institutions. An increase in the number of enrolments implies that institutions would need more resources and the inability to grow finances as rapidly to invest in those resources led to a mediocre higher education system in Africa (Wangenge-Ouma, 2010).

Implications of a free higher education system in South Africa

Different spheres of government, each with its own priorities, all compete for budget allocations and funding of projects. There is increasing pressure from other spheres of government, including health, safety and security and public infrastructure that are all pivotal to the functioning of the state, for larger budget allocations. This, along with the fact that government's funding for higher education has not increased in proportion to the increase in the actual cost of higher education, questions the sustainability of a

free higher education system. Wangenge-Ouma (2010) explains the effects of a free higher education system by emphasising the effect it will have on the same issues that currently hinder poor students from gaining access into higher education institutions. The consensus drawn is that free higher education is not sustainable as the decreasing funding available for government and state of the economy put strains on budget allocations and funds that are available for higher education (Wangenge-Ouma, 2010)

The feeling of marginalisation amongst the student body is a burden that they have carried for quite some time. The issue spread throughout the country when protests against fee increases were initiated. The unrest was sparked by the #RhodesMustFall movement established earlier in 2015 at the University of Cape Town. This was followed by a nation-wide #FeesMustFall movement, in which South Africa's youth responded to issues facing students. One of the reasons for the establishment of the movement was an outrage at the release of proposed university fees for 2016 and subsequent to that was the widespread publication of the proposed increase in fees for 2016. The response to issues such as increasing higher education fees is part of the consequences of this marginalisation. In relaying the implications of free higher education, this study refers to a paper that was written in response to these movements. In a Rand Mail article by Stuart Theobald *"How to fund university education for all"* (October, 2015) it is explained that a free education system will result in decreased government funding due to the increased demand for higher education and increased costs to maintain universities. The resultant decrease in overall government funding will force study fees to increase to sustain higher education institutions (because the government grant will have to decrease to ensure fairness in allocation across all higher education institutions) and thereafter that will decrease the level of access for poorer students. The free higher education system is detrimental to the sustainability of an institution and may result in universities resorting to charging for other services that don't constitute study, for example internet usage, transportation/shuttle services, higher residence fees, etc. Free higher education would make higher education cheaper for the rich in that a cost free higher education system would only benefit those that can already afford it (Theobald, 2015).

In a response to a media report following the #FeesMustFall movement, Anthony Farr, CEO of the Allan Gray Orbis Foundation, a fellowship programme that awards up to 100 full scholarships annually, issued a report explaining his views on the impact of free higher education. The report, titled *"Response to media reporting on fees must fall"* (Farr, 2016) states that free higher education in an unequal society does not achieve access. The current systems of external bursaries and accelerated fee systems provide access to students who would otherwise not have been able to afford higher education. The accelerate fee systems result in wealthier students paying the fees of poorer students as they bear the full cost of study fee increases which provide means for all to benefit from increased capacity. External funding in the form of

bursaries and scholarships would be lost to the industry if the cost-sharing system had to be eradicated. This report further highlights that the point of access is to ensure that those who cannot afford fees and have not secured bursaries/scholarships, are still able to access higher education. The barriers to access within funding itself are not just funding (limitation thereof in absolute terms) and increasing study costs, but also the growing demand for funding. Of key importance is the fact that higher education costs do not only comprise study, but also accommodation, food and living expenses. Free higher education would require a decrease in the number of students enrolled and in need of funding in order to cover full costs. If enrolments decrease, access is directly affected. Thus, if higher education had to be fully funded by the state, higher education institutions would not be able to sustain large student numbers when there is no funding to increase capacity (Farr, 2016).

Amongst other significant factors, Farr's (2016) report draws attention to the fact that free higher education system is harmful to access of poor students into university. This is because the majority of students who enrol for university are from middle class socio-economic backgrounds. A free higher education system will result in capacity constraints that will in turn limit the amount of spaces available for students in university. Therefore, in competing for a space in the constrained university environment, middle-class students will invest in, for instance, top high school grades to ensure they have a good chance of entry. The result of this would effectively mean that poorer students are eliminated competitively and crowded out due to the inability to invest in schooling that will give them that competitive advantage and, in that way, their access into higher education institutions is harmed (Farr, 2016).

A study that substantiates the preceding point is (Wangenge-Ouma, 2012) "*Study Fees and the Challenge of Making Higher Education a Popular Commodity in South Africa*". This paper suggests that the positive impact of free higher education in South Africa specifically will address growth externalities and possibly increase access to the poor in the midst of rising study costs, which may achieve transformation and social justice. The study, however, questions whether it would benefit the poor due to the following issues: NSFAS funding shortages and current funding challenges suggest that the government cannot afford free higher education. There are concerns around the impact of free higher education due to the large level of inequalities that exist in South African schools where majority of poor students attend low-quality schools that offer limited opportunity for university access, meaning few of the poor students obtain access. The availability of free higher education would then be futile if such an opportunity cannot be utilised by those who need it most; the poorer students. The points raised also emphasise that the fight for free higher education is ineffective if poorer students receive basic education from schools that do not prepare them adequately to qualify for entrance in higher education institutions (Wangenge-Ouma, 2012).

Both authors, therefore, conclude that the argument should not be one of cost free higher education, but one of increasing access to higher education i.e. channels of funding availability so that those who qualify for free higher education may not be held back by finances.

Suggestions to increase access to higher education in South Africa

The studies reviewed have pointed to mechanisms for higher education access that are affordable for the government and that will achieve the ultimate goal of representation from poorer students in higher education institutions. Wangenge-Ouma (2010) specifically outlines the following recommendations: that the NSFAS funding should be increased even though it hardly covers the full cost of study. The study also points out that there should be a revised model pertaining to NSFAS and the NFF as the race-based allocation favours only a select few of the poorer students.

Further, the paper motivates for the private sector's involvement in increasing higher education access equitably and suggests that private sector companies should be incentivised to have their own bursaries and to contribute to NSFAS funding by the government availing tax benefits for such initiatives. The study also encourages the provision of information regarding available resources for higher education funding for students in out-skirted areas. The motivation for this is that, while there is a growing demand for higher education funding, some students fail to apply for entry into higher education institutions due to a lack of information. Awareness programmes and mentorship within rural areas to facilitate the flow of information about funding resources is a necessity motivated by this paper.

A vital point made by this study is the need to improve the basic education system of South Africa so that more students can qualify for university entrance. There can be no benefit in available funding if there are no students to utilise that funding. This statement is based on the paper pointing out that a majority of students, predominantly black, underperform in university entrance benchmark tests, which is evidence of a failing basic education system. Wangenge-Ouma (2012) adds that in order for a free higher education system to be effective whilst inequality is high, funding must be concentrated at lower schooling levels for poorer students as that will facilitate a larger amount of access if the funding provides for improved quality schooling.

The only shortfall in the abovementioned literature, which is also a potential area of research, is that it fails to actively address macroeconomic issues that affect the government's ability to increase funding for higher education through altering the national funding framework. The literature also only focuses on funding as the main barrier in South Africa to achieving access to higher education by the poorer students. The literature has pointed to social inequality being a very large part of the issue regarding underlying barriers to access of higher education by poorer students. Wangenge-Ouma (2012) substantiates this point by highlighting that internal inefficiencies like drop-outs, and the failure to graduate on time are the result of other

issues that are inherent to poorer students specifically. These issues are relevant because if poorer students are affected the most, even in the event of funding being available and if the surface-level issues are not resolved the cycle is bound to continue. As a way forward in study therefore, the above aspects should be looked into as the reliance on the government to alter the funding framework for higher education is currently not plausible given existing pressures.

Research Methodology

This is a descriptive report that draws from investigations and findings in the literature and recent media coverage. This is followed by a scrutiny of additional information that is available in the public domain, such as the cost of studying at a university, the annual budget allocation to higher education, and the NSFAS financial statements. The methodology will deal with data collected from university documentation, however it is imperative to note that government's funding for higher education includes funding Further Education and Training (FET) institutions. The information obtained is analysed and interpreted to inform the factors for consideration whether South Africa should consider the implementation of a free higher education system.

The following methodology was followed to collect information and draw evidence on the issues around access to higher education and rising higher education fees:

Estimated cost of studying full-time

The cost of higher education for an individual student was determined by obtaining the cost of a standard 3 year BCom Accounting degree across four South African universities viz. University of Cape Town, University of Johannesburg, University of the Witwatersrand and Stellenbosch University. The purpose of using the mentioned higher education institutions was not for comparison of the cost of the degree across the different institutions, however it was so as to get an average cost that was used as a proxy for the cost of study and residence fees for a standard degree nationally.

This cost was then combined with the cost of living in South Africa, which was not obtained using a formal collection method, but from information presented in the relevant university cost schedules, with particular reference to student handbooks for the cost of residence, catering and reference to miscellaneous annual expenses like travelling. This detail is aimed at arriving at a total cost of educating a student per annum so as to get an estimate of the cost of higher education with reference to costs other than study. From that cost estimate the report has highlighted the number of students in need of funding for higher education and the multiple of the cost and number of students in need for funding was contrasted with funding allocation nationally. This cost was derived to be compared to the funding provided by NSFAS per student so that commentary could be made on the discrepancy between funding allocated and funding needed and the significance of that discrepancy.

Analysis of budget allocations to higher education in South Africa

Commentary on the national budget allocation is meant to provide answers to why this discrepancy occurs. The critical point to establish is whether the total funding required is anywhere numerically close to the entire South African budget allocation (national expenditure as a whole), and establishing an answer to this can form a basis for arguing whether the South African government can maintain free higher education.

This analysis has aided the comparison of South Africa's higher education funding system with that of other developing countries and was contrasted with the system applied in a developed nation. The aim is to gauge whether South Africa is eligible to apply similar measures. From this analysis judgement based conclusions can be drawn as to whether the South African higher education budget allocation is appropriate to achieve the objective of maximum access to higher education. The analysis is also to assess the effectiveness of a free higher education system in the studied African countries and if found to be ineffective, whether South Africa has any advantages that could absorb the cause of that ineffectiveness. Lastly, the contrast with a developed nation was used to assess the appropriateness of adopting similar measures in South Africa to achieve free higher education now or in future.

An analysis of the budget allocation for higher education in South Africa specifically over the last 5 years was conducted. Of particular interest to this report is to establish the impact of the 0% fee increment in higher education fees for 2016 on the higher education budget allocation. This point also serves to establish whether any other significant service i.e. health, or safety and infrastructure, have suffered as a result of higher education funding pressures.

Current student funding available in South Africa

Lastly, student funding that is currently available through the National Student Financial Aid Scheme (NSFAS) is investigated. The information that is available in the annual reports of NSFAS for the financial years 2011 to 2015 was analysed, with specific reference to information relating to the numbers of students that receive financial assistance, and the average amount of financial assistance available to a student. This information is particularly useful when compared to the estimated cost of full-time study per year. From the compilation of the number of students in need of funding, this report has studied whether there is an increasing trend in the number of financially challenged students. An estimate of how many students are unable to be financially supported was derived, along with emphasis made on the drop-out rate to highlight the issue of equitable access. This analysis highlights the need to involve third parties such as private entities, to finance higher education because the cost of higher education studies cannot be for the account of the government only.

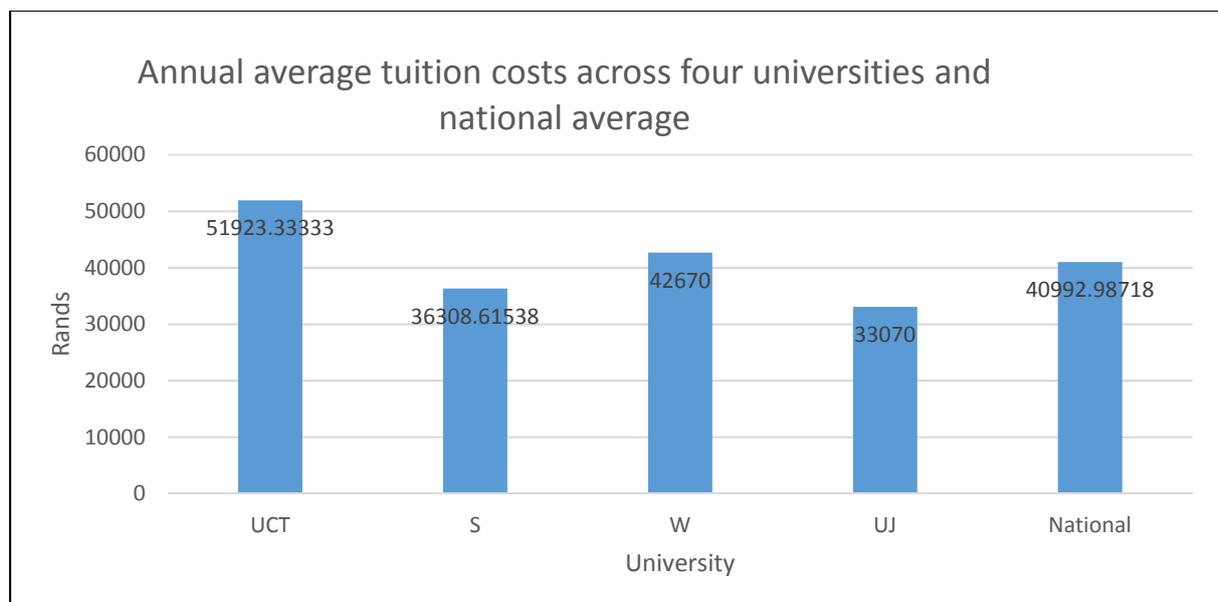
Data collected, interpretation, and findings

This section discusses how the data was collected, the data is then interpreted using graphs and diagrams, and the findings are described. The data collected includes the estimation of the average cost per year of studying full time in 2015 at a South African university, which is then compared with the average financial assistance that is available to a student (via NSFAS). The proportion that is allocated to higher education in the annual government budget over the last five years is compared, and discussed with reference to the state's funding allocations to other, equally important, services.

Cost of higher education in South Africa and the impact of additional costs incurred by institutions

Based on the literature reviewed, the rising costs of higher education were noted as a key issue in obstructing the goal towards equitable transformation in higher education. A diagrammatic representation of the approximate study costs and total cost of higher education in South Africa is included below. The graphs presented have been based on 2015 fee structures as the fees for 2016 have been maintained at 2015 levels as a result of the October 2015 student protests against rising study costs. Four South African universities have been used as a basis of attaining these costs: University of Cape Town (UCT), University of the Witwatersrand (Wits), Stellenbosch University and University of Johannesburg (UJ).

Graph 1: Average annual study costs across four universities, including national average



In graph 1 above, the average study cost nationally, is currently at R 40 993 per annum, per student. These costs are based on a standard 3 year BCom Accounting degree and do not include the cost of residence fees, transportation, meals or a living

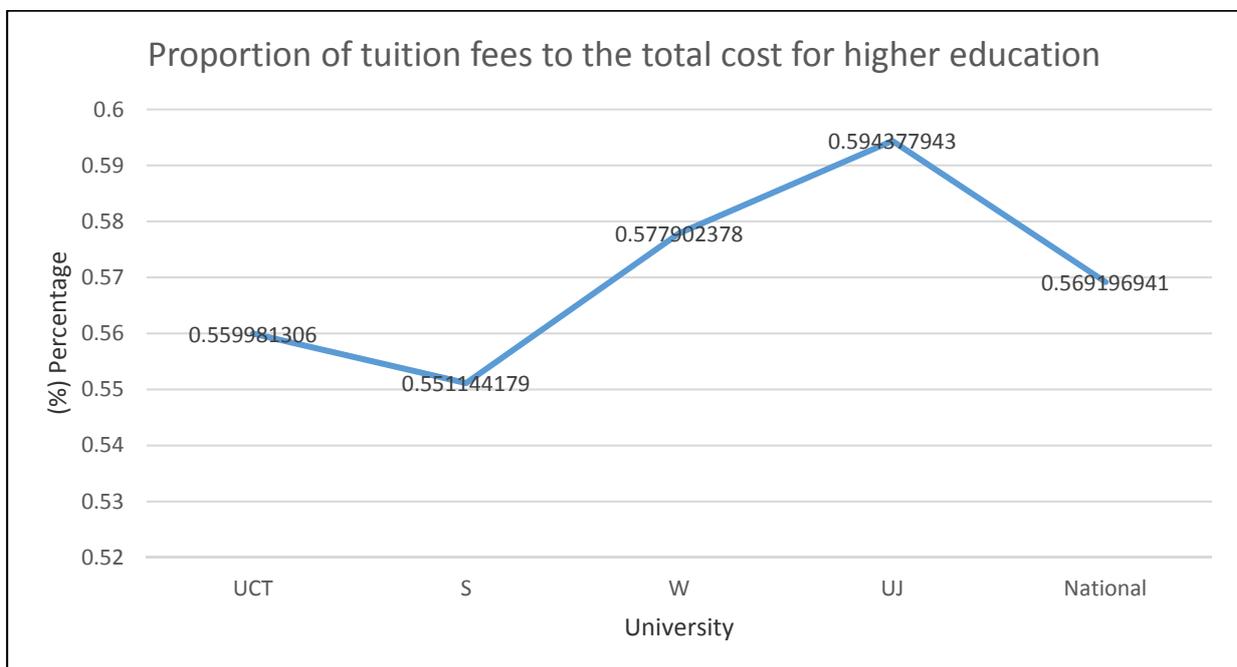
stipend. For the purposes of highlighting the cost of higher education in South Africa, reference must be made to these additional costs to highlight the extent to which higher education fees are an issue for the majority of South Africans. Residence fees will be discussed separately. As noted in the literature review, the issue around student fees and the effect it has on access to higher education affects poorer students the most. *To illustrate this point, an analogy is made using facts that are relevant to a poorer university student:*

South African university term breaks are spread around April, June, September and December. The poorer student can only afford to make means to go home (if studying at an institution that is far from home, which is ordinarily the case) during the longer breaks; June and December. Travelling home would be by means of a bus, as this is the most affordable option. The average bus ticket price over long distances is at R580 (www.computicket.co.za) and having to cover this cost twice a year, for a return trip, would bring travel costs to approximately R2 320 in the absence of other factors. Due to the difference in meal cost structures across the different higher education institutions, and due to some universities not offering catering as part of the costs, it is necessary to consider the meal costs of the abovementioned institutions only as a basis of determining average annual meal costs. The meal cost determination would be based on a standard 3 meals per day, 7 days a week meal plan. The average annual meal cost for this meal plan at these institutions is R14 000 per student (UCT student fees handbook, 2016). The meal cost ordinarily covers meals for February to November annually, bringing it to an approximate monthly cost of R1 400 or R47/day. Additional sundry expenses that a student must account for are the costs for textbooks and stationery (R6 000), educational equipment (R3 000), living and sundry expenses, excluding transportation (R5 180) (UCT student fees handbook, 2016). The additional sundry expenses are not an accurate measure or representation of sundry expenses for the average South African student, and should only be used for illustrative purposes. The cost is based on one institution as it is the only institution with a fee handbook that breaks down the relevant costs, which may differ marginally for students in other provinces and institutions. The cost of living is a subjective variable and, therefore, it is worthy to note that the use of a fee handbook is an aim to reflect an objective account of costs.

The above break down of costs would bring the total annual cost (study, meals, travelling, living expenses, educational equipment and textbooks and stationery) of higher education, excluding accommodation, to R71 493 per student per year. Based on this projection and consideration for the household that most poor South African students come from, it is already evident that covering this cost could be challenging. As mentioned in the literature review, most underprivileged students come from secondary schools that are under resourced and where most of them have never had to pay for secondary school fees. How then are South African students, and specifically poorer students, of which the majority are the “Black” students, expected

to manage the jump from not paying any fees for almost 12 years of basic schooling to now paying over R70 000 annually per student and over R214 500 (excluding accommodation) over 3 years if a student manages to complete their qualification in the standard 3 years? This analogy, therefore, highlights the reality of many South African students who find themselves in a position of having to either drop-out of university or face financial exclusion due to the lack of financial assistance and the impact of rising study costs.

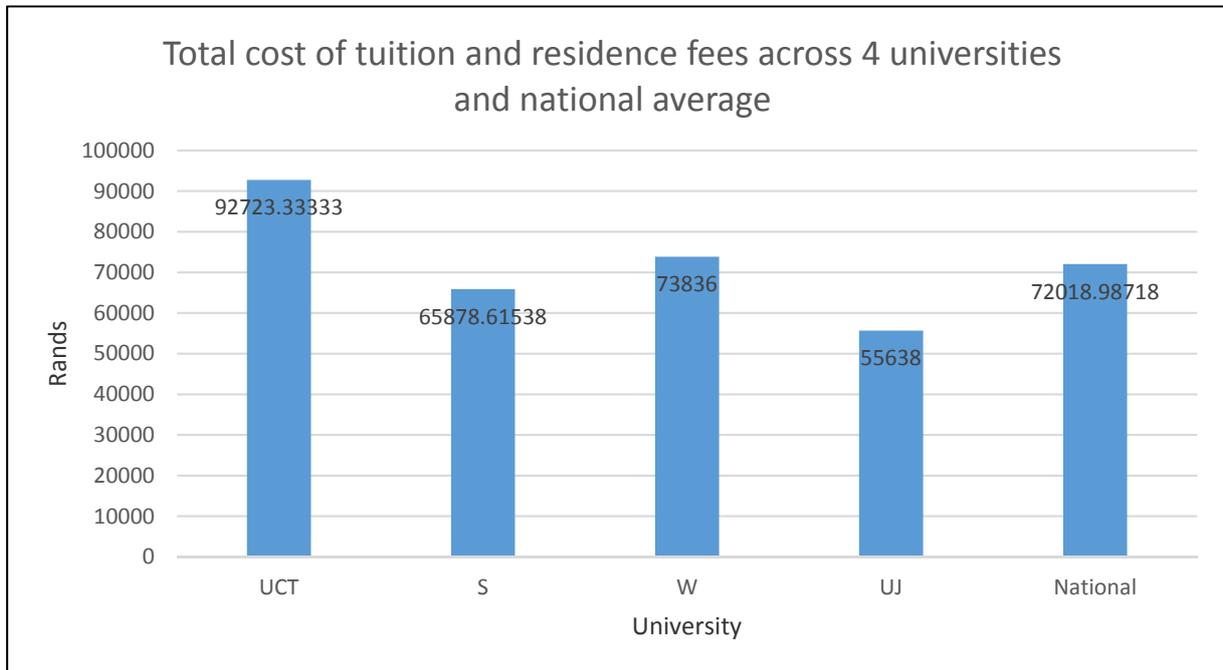
Graph 2: Proportion of study fees (only) to the total cost (study and residence) of higher education in South Africa



As depicted in graph 2 above, the argument regarding the negative impact of higher education fee increases still holds for students not in residence. Based on graph 2 it is evident that study costs comprise a large proportion of total higher education costs. In being unavoidable, study costs play a crucial role in determining whether a student goes to a certain higher education institution, studies for a particular qualification and whether they re-register in the following year.

A poor student's life is, therefore, determined by this one factor; a clear indication for the need for intervention. If the government needs to restructure their contribution towards higher education, do they have the means to do so?

Graph 3: The total cost of study and residence (combined) across four South African universities, including a national average



As depicted in graph 3 above, the total average annual cost for higher education nationally is R72 019 per student per year. The total national average cost comprises study and residence fees. Residence fees are based on accommodation only, for a standard double room across the four institutions. Average cost of accommodation is R31 026 per year (Student fees handbooks, 2016). Residence fees are relevant to the consideration of higher education costs as residence life is part of the higher education experience. Universities face additional challenges in the allocation of space in residence as the demand exceeds capacity every year. As such, many institutions have attempted to restructure the residence policy, as the previous system led to an over allocation of spaces in residence that led to many students having to seek alternative measures at a crucial time like the start of the academic year (www.varsitynewspaper.co.za; February 2016). Amongst the group of students having to seek alternative measures, would be a number of first year students whose homes are far from the institution, who would have to familiarise themselves with a new environment and find accommodation. The requirement to pay an initial fee (registration fees) before the start of the academic year applies to residence fees as well and if students are unable to provide this payment, another opportunity to participate in the higher education environment, is forgone.

The literature review highlights the need to explore other significant factors, in addition to finances and socio-economic backgrounds that affect a student's ability to function within the tertiary environment. One such factor is the emotional suffering experienced by students who are forced to seek alternative accommodation after learning that they

have no place in residence. This is particularly more challenging on a first year student who is away from home. In the midst of these challenges, these particular students would not only have to settle into university/tertiary life, but would have to deal with the additional emotional challenge of settling into an accommodation setting that might not have all the necessary facilities that a normal residence has. Bearing in mind that the above is all happening within the start of the academic year, consideration must be made for the effect that this could have on a student's performance as the ability to adjust timeously is frequently stressed.

Another (added) cost for higher education institutions is the recent call for insourcing of non-core activities, such as cleaning, maintenance, shuttle transportation and protection services. Part of the student protests at the end of 2015 against higher education fee increases was the need to demand an end to outsourcing and the exploitation of workers that form part of non-core university services by introducing insourcing. The effect of the introduction of insourcing in higher education institutions is relevant as this further increases the overall annual expenditure of higher education institutions. The ripple effect, as noted before in this report, of rising higher education maintenance costs is that study fees are increased to fund these services and the maintenance of infrastructure, especially with the increase in the number of students each year. The issue of addressing increased higher education costs is a challenge for government, as the rising costs imply that the government would have to allocate a larger portion of the national budget towards higher education each year to ensure that the service quality of higher education institutions is maintained. Even though a large portion of universities' income is represented by government grants, student fees seem to account for ever higher proportions.

In an article by Sara Gon, "UCT insourcing: not squaring the circle" (www.politicsweb.co.za; June 2016), it is stated that insourcing is going to cost the institution far more than outsourcing as the fulfilment of the cost will require the use of university reserves for capital expenditure and additional annual operating costs must now be budgeted for. Dr. Max Price, Vice Chancellor of UCT, is quoted in the article, stating: "The justification for the austerity measures that are in place is because of a decreased government subsidy allocation to UCT over the last 5 years". The government's shortfall in the cost increases was approximately R50 million annually; R250 million cumulatively. The shortfall was compensated for by increasing fee income at a rate significantly above inflation and even then, the university remains with a shortfall and additional financial challenges were created by the 0% fee increase for 2016. Insourcing is introduced at a time when institutions can actually not afford it.

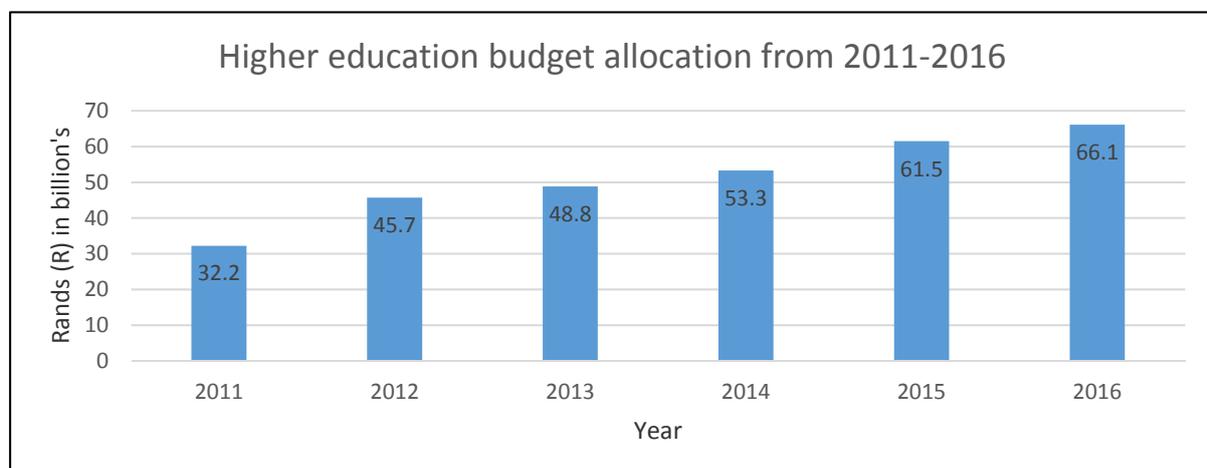
An additional concern with the introduction of insourcing is that the additional cost is towards non-core services and not services that will directly impact the student's access to higher education and related resources. Gon (2016) states further that "[t]he 2014 Report on Outsourcing at UCT was commissioned by the UCT Council. The

report estimates that the total additional costs of insourcing all services at the university would be R58 million a year, with additional upfront asset purchase costs of R68 million. The university will not be able to absorb this cost without raising student study fees significantly, and this would impair student access to UCT” (Gon; www.politicsweb.co.za; June 2016). This statement highlights the university’s challenge in securing limited government subsidy each year, which increases their reliance on fee income for the maintenance of costs.

Emphasis has been placed on how this will affect the student in that the cost would inevitably be an account for the student to settle. The question is however, in addressing the issue of exploitation of outsourced workers by introducing insourcing: Is this approach not counter-intuitive if the student has to bear the cost, and in particular, the cost of a non-core service? This implies that the fight against rising higher education fees is nullified. The policy of a 0% fee increment in higher education fees for 2016 has resulted in austerity measures being introduced across institutions. The article highlights that if these austerity measures are ineffective in cost cutting, institutions may have to encourage early staff retirement or voluntary separation and resignation packages. This approach would harm the achievement of the core services for higher education, which directly impact the student, because in the instance where fee income cannot be increased above a certain limit, academic staff (which arguably comprise a large portion of operational expenditure), may have to be released.

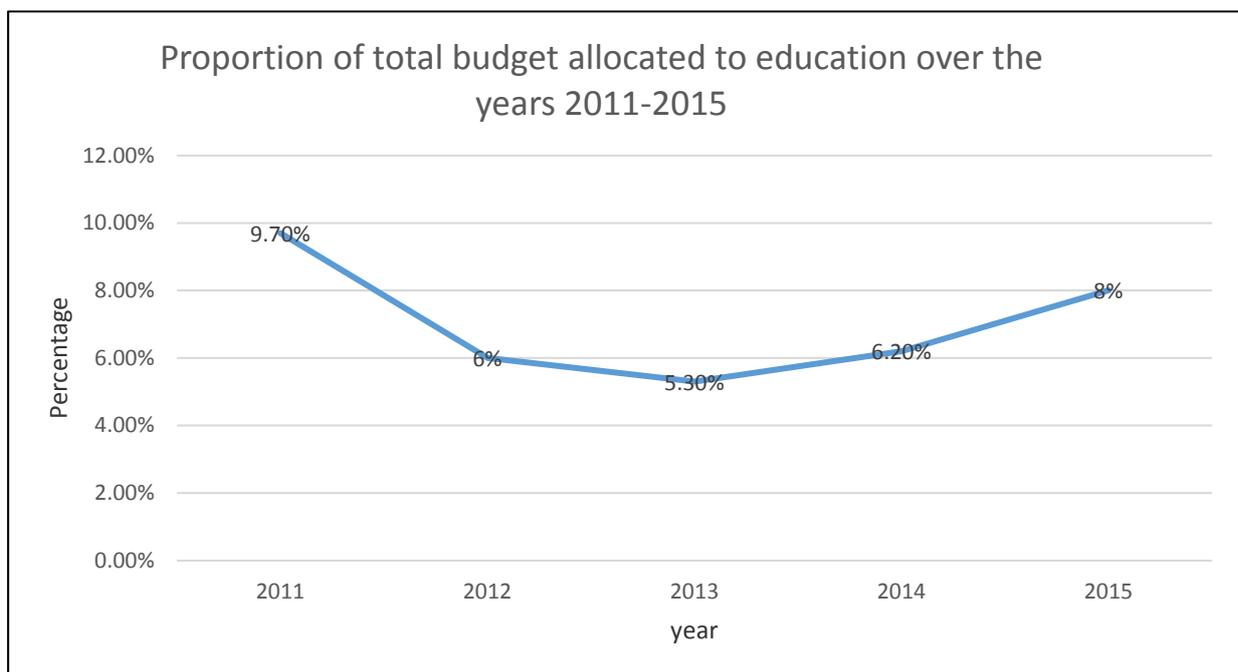
The core focus of higher education institutions is teaching and research. If academic staff have to be retrenched, once again students suffer. The introduction of insourcing, therefore, could accelerate the effect of the release of academic staff and increasing fees. Of greater concern, however, is whether there is a consistent decreasing trend in government subsidy for higher education and if so, why? An analysis of government subsidy is provided below.

Graph 4: Indication of the budget allocation for higher education from 2011-2016



For the purposes of collating the total cost allocated to higher education and for consistency, higher education comprises: university transfers, FET institutions and adult education and lastly, vocational and continuing education and training. In some budget highlights, skills development costs are included in this cost schedule. As depicted in graph 4 above, the allocation of the annual budget towards higher education depicts an upward trend for the period 2011-2016. This suggests that in absolute terms, the amount of funding allocated to higher education has increased over the years. What this image fails to depict is whether the funding increased for all classes of higher education institutions. As noted in the reviewed literature, government funding is not allocated on a system that benefits institutions that house a majority of previously under-represented students. Also, in as much as the absolute amount of funding has increased, it has not increased in line with rising costs of higher education, therefore cost increases are not in real terms. To validate this statement, an allocation of the total national budget to education (basic and higher education) is depicted below in graph 5:

Graph 5: Proportion of the total national budget allocated to education (basic and higher) for 2011-2015



From graph 5 above, government's funding towards education (basic and higher) as a social service has decreased from 9.7% to 5.3% (based on the amounts presented in the annual budgets and adjusted for inflation only) between 2011 and 2013. Higher education is a small portion of the budget allocation. Therefore, a decreasing allocation to education as a whole is bound to affect higher education the most. A slight increase is realised in 2014 and 2015 where the allocation rose to 6.2% and 8% respectively

(appendix 3). Despite the slight increase over the last two years, the allocation is still well below what it used to be in 2011.

Since higher education comprises a smaller proportion of the total education budget, the effects of this decreased allocation over the years explain and validate the conclusion reached by higher education institutions and the reviewed literature, that government spending on higher education has decreased over the years. In analysing the exact proportion of the education budget allocated towards higher education: In 2011, 13.5% of the education budget was spent on higher education, increasing to 19.4% in 2012. However, from 2013 onwards, a drastic decrease towards higher education funding was seen as the proportion fell to 7.25% and 6.8% in 2013 and 2014 respectively (*budget review 2013, 2014*). This explains the need for higher education institutions to rely on accelerated fee increases for the maintenance of institutions as government subsidy decreases while costs are rising.

In 2015 the allocation of the education budget to higher education increased by a margin to 8.6%. The main reason for decreases in the higher education funding was for the government to cater for the growing needs of basic education: increasing the number of schools, school infrastructure, and the increase in teacher's salaries after the national teacher's strike in 2010. All for a system that, as is evident from the literature, is flawed in its ability to prepare learners adequately for access to higher education. This, amongst other factors such as the need to respond to other social services like public health, has exacerbated the funding crisis in higher education. This report can ascertain therefore from an analysis of the annual budget highlights (based on the respective year's budget speech), that government's inability to prioritise higher education is also due to the need to focus on other areas of the country. Between 2011 and 2013, the state's funding for public health, housing, public safety and general public services decreased notably. The budget allocation towards economic affairs, however, increased from -5.9% in 2011, to 7.7% and 10.8% in 2012 and 2013 respectively. This was at a time when South Africa was experiencing immense political instability, coupled with economic pressures as response to the previous neglect of economic affairs evidenced by the decreased allocation in 2011.

The impact of the 0% fee increment on higher education fees has not gone unnoticed by the government. Government has seen the largest increase (in absolute terms) in 2016 in the budget for education from R265.7 billion in 2015 to R297.5 billion in 2016 (*Budget review, 2015, 2016*). The proportion of the education budget for 2016 that will go towards funding higher education is yet to be confirmed. In analysing the impact of a 0% fee increment on higher education fees for 2016, it is necessary to isolate the 2016/2017 national budget allocation for higher education. The isolation is to assess what the government's strategy regarding the shortfall that the failure to increase student fees in the current year, has created.

According to the 2016 National Budget speech (Annual budget speech 2016), an additional R16.3 billion has been allocated for higher education for the next three years (2016-2018). R5.7 billion of this addresses the shortfall that was created by higher education fees for 2016 remaining the same as that of 2015. R2.5 billion has been allocated to NSFAS to clear outstanding student debt from 2015, and lastly a further R8 billion over the medium term to allow currently registered students to complete their studies. A detailed breakdown per the classes of higher education institutions has not been given regarding the additional amount of R16.3 billion allocated for 2016-2018 across all higher education institutions. Whether this amount will be sufficient to cater for the effects of the 0% fee increment, is questionable.

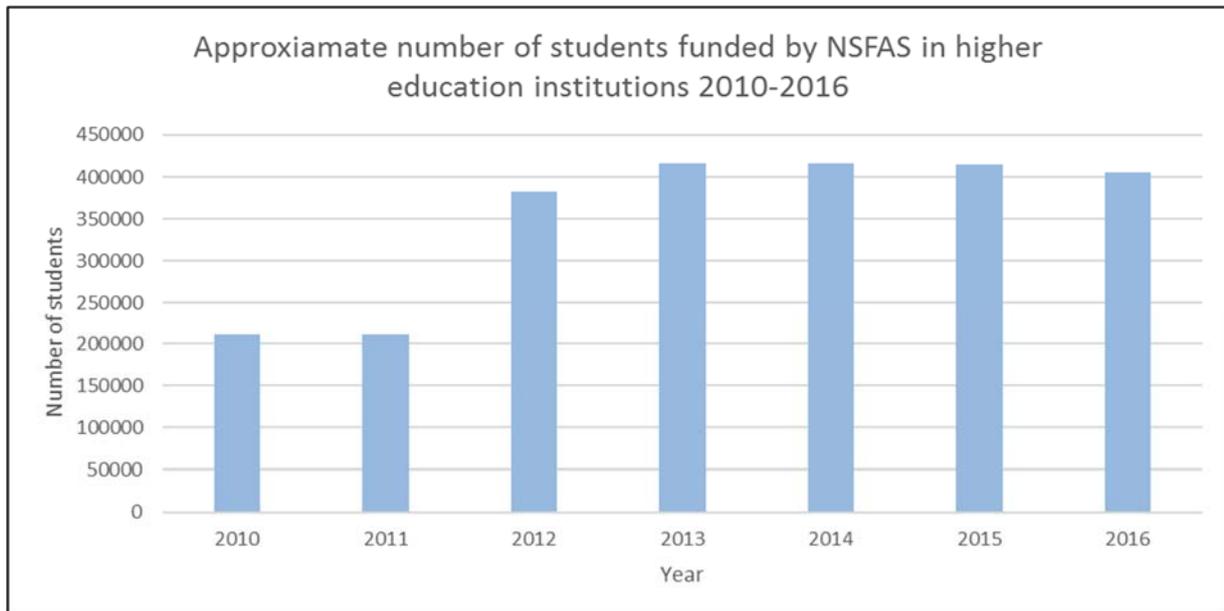
The above conclusions raise concerns as to whether a cost-free higher education system can exist in South Africa and if so, at what cost? Higher education institutions are highly dependent on fee income to support the functioning of institutions including payment of academic staff and maintenance of facilities used by students. If fee income is to be removed and the above trend in the government's allocation of the budget to higher education continues, South Africa runs the risk of possibly harming any efforts towards achieving equitable access to higher education. If the responsibility to maintain a cost-free higher education was solely placed on the government, this too would be impractical and ineffective given other existing social needs and the already decreasing government subsidy for higher education.

NSFAS and the discrepancy between the cost of higher education and financial assistance available

To emphasise the impracticality of a cost-free higher education system in the midst of rising higher education costs, this report will briefly analyse the NSFAS funding model. The link between the costs of higher education in South Africa noted above and the financial assistance offered through NSFAS, reflects that even with the existence of financial assistance, some costs still remain uncovered. In a free higher education system, institutions would be forced to avoid high operational costs by capping the amount of students they can provide for, which is against the mandate of achieving access to higher education, particularly for underprivileged students.

Below is a depiction of the number of students assisted by the distribution of funding for higher education fees of students in need by NSFAS between 2010 and 2016. Since 1991, NSFAS has distributed over R50 billion in financial assistance to over 1.5 million students (www.nfsas.co.za) This graph aims to study the trend in the allocation of funding for the proposed range, to highlight the amount of students who require financial assistance from NSFAS and the proportion of higher education fees covered by the financial assistance offered.

Graph 6: Approximate number of students funded by NSFAS in higher education institutions for 2010-2016



Graph 6 above indicates that there has been a gradual increase in the amount of students assisted by the financial aid scheme, which receives a portion of its funding from the state. The most significant increase in the number of students assisted was seen between 2011 and 2012 and since then there's been a fairly consistent number of students assisted. Much of the increase is not only attributed to the growing demand for students in need of financial assistance, but also the effectiveness of awareness programmes by higher education institutions and private organisations that inform prospective students about funding opportunities. Of importance to note, however, is the decrease in the approximate number of students to be funded in 2016. The number of students to be funded could go from 414 802 in 2015 to 405 000, a decrease of 9 802 students. This may be a direct impact of the 0% fee increment in study fees for 2016 (coupled with the identified trend of decreased government spending on higher education), as part of NSFAS funding has been rolled out to extinguish student debt and not for additional funding of 2016 fees.

The negative effect of a growing demand for financial assistance, is the limitation of available funding and the extent to which it can cover the full cost of higher education per student. Numerous reasons contribute to the inability of the financial aid to cover the full cost of studies. Funding is a constraint for the organization, which indirectly affects the number of students it can accommodate. Once again, this emphasises the effect funding has on an eligible student's ability to participate in higher education. Student drop-outs lead to a delay in recouping funds that were issued as loan assistance. As such, fewer students are potentially able to be funded in the following year as students can only repay loans once they are employed. In addition to these issues, some graduates fail to fulfil their obligation to repay any loan assistance back

to NSFAS, which results in the organization having to write off some debts as unrecoverable. The failure of students to respond to the moral obligation to repay a student loan also harms the goal of access for underprivileged students because funding is a scarce resource.

Below is a representation of the amount of funding allocated as assistance for students over the specified years. The estimated number of students to be funded in 2016 is 405000 (NSFAS 2014/2015 annual report)

Table 1: Number of students, total funding allocated by NSFAS and estimated annual funding per student for 2010-2015

| Year | Number of students funded | Total financial assistance in billion R | Average annual assistance per student * in R |
|-------------|----------------------------------|--|---|
| 2010 | 210592 | 3.6 | 17 095 |
| 2011 | 210576 | 5.9 | 28 018 |
| 2012 | 382686 | 7.7 | 20 121 |
| 2013 | 416174 | 8.7 | 20 905 |
| 2014 | 415901 | 9 | 21 640 |
| 2015 | 414802 | 8.96 | 21 601 |

*The calculation of the average annual assistance per student is not an accurate representation of the amount allocated to each student for funding, as that differs across the different institutions. The calculation was done by taking the total financial assistance in each year divided by the number of students funded in each year. The calculation is included for comparability against the approximate cost of higher education based on the breakdown given in this report for the cost of a standard BCom Accounting degree across the four abovementioned institutions.

The average annual assistance per student, based on table 1, has increased from just over R17 000 per student in 2011, to over R21 000 in 2015. This suggests that in the universities used for the cost estimation, the average annual assistance per student covers mainly study fees and no additional university fees. The increase is in line with the rising number of students requiring financial assistance and the rising cost of higher education. The total cost (study and residence fees) of higher education, however, has been estimated at R72 493 (based on calculations above). This implies that in 2015, if a student were to study in one of the institutions used to compile the total cost estimate, and the bursary portion of the loan was unconfirmed, the student would be at a shortfall on their fee cover by approximately R50 892. If we use this

shortfall amount and multiply by the estimated number of students NSFAS plans to assist financially in 2016 (415 000), the total shortfall comes to just over R20.06 billion. If this figure is compared to the 2016 education (basic and higher education combined) budget allocation of R297.5 billion, it is 6.7% of the budget allocation for education as a whole. That same proportion of 6.7% is comparable to 2015's higher education budget allocation of 6.2% compared to the total budget. Therefore, 6.2% of the total budget would have to be removed from another government service to fund the shortfall. The shortfall is also comparable to higher education's budget proportion of 6.5% of the total education budget, implying that the education budget would have to be increased by 6.5% to fund the shortfall.

If higher education's budget allocation could be increased by the R20.06 billion shortfall, that could possibly enable the full cost of studies to be covered for those being financially assisted or it would allow for even more students to be assisted. However, consideration must be made for the fact that NSFAS does not and cannot accommodate all financially needy students and this number could be considerably higher if all students in South Africa without funding for higher education fees were considered. Also, if higher education's budget allocation would have to increase by this amount or higher, the state would possibly have to reduce spending in other sectors and as noted in the annual budget highlights analysis, this has negative consequences.

The issue reflected in the above computations highlights the difficulty and strain that the government would take to achieve free higher education, against the reality that reduced spending by the government on other public services is not sustainable.

Recommendations

If South Africa is to work towards achieving free higher education, higher education institutions would have to find a way to ensure that the core functions of the institution are still maintained and of the same standard if not better. This may be a great challenge, as nothing worth any value is free. The same holds for one's education. Higher education institutions would need, at the very least, the following functions to be maintained:

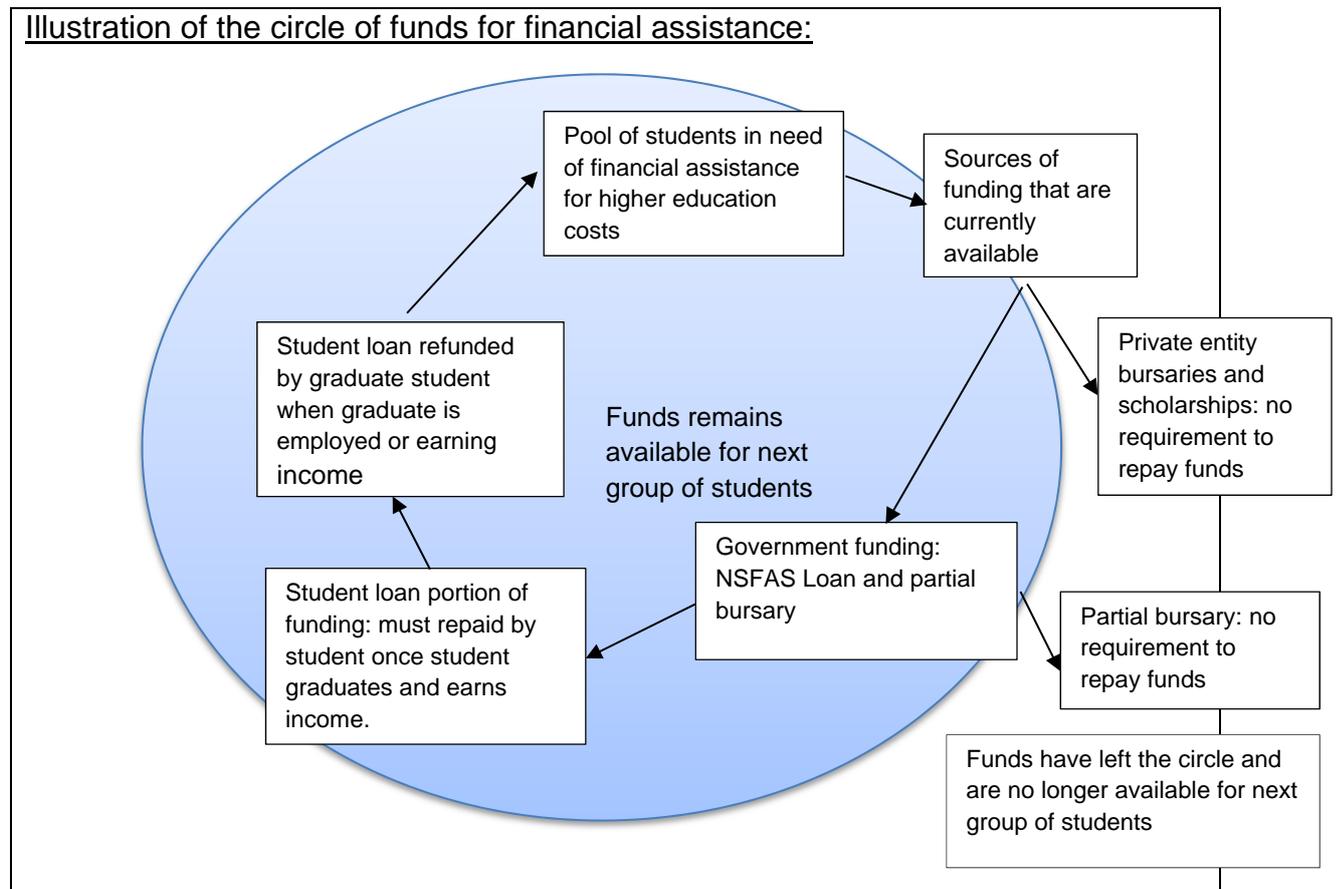
- Academic and administrative staff
- Research facilities
- Lecturing facilities and student course material
- Maintenance staff (cleaning and ground staff) and infrastructure

The abovementioned functions form the bulk of a higher education institution's operational expenditure annually. If there is no fee income, the institutions cannot pay academic staff salaries. Academic staff plays a crucial role in administering core functions of the institution and must be compensated in line with their responsibilities and experience. Maintenance is an unavoidable cost and is set to increase with the

move towards insourcing. If the institutions cannot pay for these functions due to eliminated fee income, these functions cannot exist and neither can the institution.

The recommendation is that private entities increase the amount of bursaries and scholarships that are made available for students and across all qualifications. To incentivise private entities in this regard, the government can introduce incentives such as tax deductions for these scholarships. What this proposal achieves is that more students are able to access higher education and that reduces the burden of unemployed youth on the government in future. In as much as the state would be collecting less tax revenue, compensation can be made by altering the tax structure in areas where poor South Africans would not be affected by this. An example would be increasing the corporate tax rate (by a margin), which has remained at 28% for the sometime. This will compensate for the tax deductions allowed as incentives to increase funding for higher education.

One of the challenges reflected in this report is NSFAS' ability to recoup, from employed graduates, financial assistance that was issued in the form of a loan. A more stringent policy needs to be adopted by the organization in terms of ensuring that employed graduates, as responsible citizens, fulfil that responsibility. To stress this point, an illustration of the circle of funds for financial assistance is depicted below:



As shown in the above illustration of the circle of funds for financial assistance, the portion of the NSFAS funding that is allocated as loan assistance is recouped in the circle of funds so as to assist other students in need of financial aid. There is a responsibility therefore, for students to pay this money back once they are earning income. This responsibility is both contractual and ethical. The financial assistance in the form of a study loan, is the one form of funding that never leaves the circle with the student, unlike the funding through bursaries and scholarships. It is vital that the only hindrance to the collection of these funds be the delay in time as result of students seeking employment or completing their studies and not due to uncollectability (bad debts).

The cycle reflected above points to many similar experiences in South Africa and the fear therefore, with implementing a free higher education system is achieving the same outcome, where the quality of education produced becomes mediocre. Further conclusions drawn by Wangenge-Ouma, (2010) are that a free higher education system benefits those that are already privileged. This statement is based on the consequences of a free higher education system in other nations. Free higher education in Africa reproduced and reinforced colonial inequalities with regards to the distribution of schools and beneficiaries of free higher education. Because the distribution of good schools was uneven, the beneficiaries of free higher education were select individuals from certain ethnic groups that repeated the same patterns of colonial inequality. In addition to this, lower levels of education were not free at that stage and therefore those who couldn't afford lower levels of education would be left out of the circle of beneficiaries of free higher education, leaving it for students from elite backgrounds to benefit from (Wangenge-Ouma, 2010).

In the context of South Africa, this report has noted numerous times the need to invest in a stronger basic education system. The need for this is evident from the above information that if lower levels of education create inequalities (poor education quality and uneven distribution of resources), those inequalities persist and higher education becomes a commodity that only those who can afford it can have or becomes accessible by those who could afford to go to private schools at a basic school level.

A developed nation that operates under a "free" higher education system is Sweden (www.theatlantic.com ; May 2013). The justification for this system in that country specifically, is that the cost of living is high. The state therefore compensates the families of students by allowing students to study on a loan account, which is similar to the South African national student funding model, where students pay that money back to the state upon graduating and becoming employed. The difference, however, is the way in which the study funds are repaid to the state. Students who become employed graduates either pay the money back through adjusted taxes that account for the repayment that must go to the state or through paying in the form of a low interest loan. Both repayment terms are structured such that graduates are still able to have a reasonable disposable income.

Employing a similar system in South Africa would require an adjustment to be made in the tax administration system to tax graduates accordingly. Whether or not this is possible, is an area of further study. Of importance to note, is that even in the context of a developed country, there is a cost for higher education, it is not free. This validates, therefore, the concern about whether South Africa, as a developing country, is ready to adopt a cost free higher education system, given the system's failures in the past under similar conditions as the South African environment.

Lastly, there is a great need to initiate awareness programmes about the availability of funding for all qualifications. Life Orientation is a subject done throughout the basic education syllabus (www.education.gov.za) and is a subject used to expose learners to career guidance in Grade 11. A recommendation is that school visits by funding institutions (government and private) be included in the Life Orientation career guidance programmes so that learners are aware ahead of time of what funding mechanisms are available. This will allow learners to prepare mentally and academically to work towards attaining both access to higher education and funding.

Areas of further research

This report has noted a number of key issues that have affected the government's ability to maintain and increase its spending on higher education. The South African tax administration is known to be very efficient. A recommended area of research therefore, would be a more beneficial revenue collectability model for the government. The government's ability to collect tax revenues from areas where tax is being evaded, could be beneficial in enabling the economy to be more robust and maintain a cost free higher education system in years to come.

Based on the issues identified in the literature, it is also necessary to further study the additional factors that contribute to a student's ability to remain in the higher education system. Financial constraints have been highlighted as the dominant cause, however in an instance where finances have been provided for, the objective to maximize access is still hindered by a high drop-out rate from poorer students.

Much investigation needs to go into the basic education system of South Africa. The foundation phase of a child's education has been noted to be a very critical stage in their learning. It is, therefore, of great importance that the country moves towards prioritising the resources in this area too, as basic education is the government's responsibility.

Conclusion

The evidence of decreased government funding over recent years questions the sustainability of a free higher education system and whether the government can in fact afford a cost free higher education system. The prevalence of a current deficit, evaluation of the country as junk status as a foreign investment designation and a

currency that is in jeopardy are just a few of the external pressures evidencing that the government may not be able to sustain free higher education at the moment.

It goes without saying that the cost of higher education in South Africa is paramount and with the increasing demand for higher education, those who need financing suffer the most from fee increases. The challenge therefore, is that in the midst of a country that is currently not ready to take on a cost free higher education system (based on the research), and with higher education institutions needing to fund their operations predominantly through fee income, who should take responsibility for the cost when students are unable to qualify for access to higher education due to financial constraints?

Based on the 3 responsible agents for higher education costs (the financially challenged students, the institutions and the government), it is clear that no one can in fact afford the cost of higher education. While cost free higher education would be the solution to many transformation and socio economic issues in the country, higher education institutions cannot be administered in such a system. If higher education institutions cannot afford to maintain core services like academic staff and continuous research, which depend highly on fee income, the existence of institutions could be compromised in the long run, if not the quality of education and graduates produced.

As a nation, South Africa needs to address the country's sensitivity to changes in the higher education system by assessing what the country is ready to lose and what the country can afford to maintain. As is, the government is not fully equipped financially to sustain a cost free higher education system. This is based on its inability to meet the growing demands of higher education over the recent years. Higher education institutions cannot operate without revenue (mainly fee income) to fund its operations and provide resources that are used by the growing number of tertiary students.

The interim solution lies in maximizing on the funding that is available to achieve maximum access to higher education by eligible students. This will enable more graduates to contribute to the economy by improving the youth employment rates as more graduates become employed. Increasing youth employment can contribute to the growth in the country's economy. In that way, the government can gradually increase spending on higher education, implying that more students with financial difficulty can be supported and that access to higher education can be improved. It is worth noting that there are other issues that the country needs to address to prepare itself for free higher education. The level of corruption and its impact on the economy, the quality of basic education and investing in resources like infrastructure and skills development for educators are but a few of the areas that need focus. Prioritising basic education will also ensure that learners are prepared for higher education.

This report does not take a position against free higher education in South Africa, neither is the conclusion that South Africa should not implement such a system. The standpoint is that South Africa needs time to rectify what has gone wrong at a basic

education level, so that if a free higher education system is implemented, maximum access can be achieved by those most affected by the rising higher education costs. The country also needs time to develop further as an economy and rebuild its statute as the powerhouse of Africa. The time will allow the economy to adjust and possibly alter its revenue collection structure so that the state is prepared to adopt an equitable higher education system, which is more sustainable than a free higher education system.

REFERENCE LIST:

- Academic fees; other fees and levies. (2016). *University of Cape Town student fees 2016* (pp. 7-8-16)
- Altbach, P. G. (2015). Perspectives on internationalizing higher education, *International Higher Education*, 27, 6–8.
- Annual report 2011*. (2011). Cape Town: National Student Financial Aid Scheme.
- Annual report 2012*. (2012). Cape Town: National Student Financial Aid Scheme.
- Annual report 2013*. (2013). Cape Town: National Student Financial Aid Scheme.
- Annual report 2014*. (2014). Cape Town: National Student Financial Aid Scheme.
- Annual report 2015*. (2015). Cape Town: National Student Financial Aid Scheme.
- Budget review 2011*. (2011). Pretoria: Department of National Treasury.
- Budget review 2012*. (2012). Pretoria: Department of National Treasury.
- Budget review 2013*. (2013). Pretoria: Department of National Treasury.
- Budget review 2014*. (2014). Pretoria: Department of National Treasury.
- Budget review 2015*. (2015). Pretoria: Department of National Treasury.
- Budget review 2016*. (2016). Pretoria: Department of National Treasury.
- Department of Education (South Africa) (1997). Education White Paper 3: A Programme for Higher Education.
- Gordhan, P. (2016). *2016 Budget speech*. Cape Town: National Treasury. doi:17/2016
- Lebeau, Y., Stumpf, R., Brown, R., Lucchesi, M. A. S., & Kwiek, M. (2012). Who shall pay for the public good? Comparative trends in the funding crisis of public higher education. *Compare: A Journal of Comparative and International Education*, 42(1), 137-157.

- McLean, M., & Walker, M. (2012). The possibilities for university-based public-good professional education: a case-study from South Africa based on the “capability approach.” *Studies in Higher Education*, 37(5), 585–601. <http://doi.org/10.1080/03075079.2010.531461>
- Ntshoe, I., & De Villiers, P. (2013). Funding sources for public higher education in South Africa: Institutional responses. *Perspectives in Education*, 31(4), 71.
- Theobald, S. (2015). How to fund university education for all: How do we create something that ensures that every capable individual in South Africa is able to study? *Rand Daily Mail*.
- Tilak, J.B.G. (2005). Global trends in funding higher education. *International Higher Education*. 5-6
- Maria, T. D., & Bleotu, V. (2014). Modern Trends in Higher Education Funding. *Procedia-Social and Behavioral Sciences*, 116, 2226-2230.
- Study fees. (2016). *University of Johannesburg student fees 2016* (pp. 4-5, 8, 14)
- Gon, S. (2016). UCT insourcing: Not squaring the circle. *Politicsweb* (www.politicsweb.co.za)
- University of Stellenbosch Student fees* (2016). Stellenbosch: University of Stellenbosch.
- Van der Bank, C., & Nkadimeng, M. (2014). Exploring funding in higher education to eliminate poverty in South Africa.3(1), 353-354-357. doi:Doi:10.5901/ajis.2014.v3n1p353
- Walker, M., McLean, M., Dison, A., & Vaughan, R. (2010). Higher education and poverty reduction: the formation of public good professionals in universities. *Studies in Higher Education*, 17.
- Wangenge-Ouma, G. (2010). Funding and the attainment of transformation goals in South Africa's higher education.36(4), 481-482-497. doi:10.1080/03054985.2010.491181
- Wangenge-Ouma, G. (2012). Study fees and the challenge of making higher education a popular commodity in South Africa.64, 831-832-844. doi:10.1007/s10734-012-9531-6

www.nsfas.co.za

<http://www.rdm.co.za/politics/2015/10/22/how-to-fund-university-education-for-all>

<http://www.politicsweb.co.za/opinion/uct-insourcing-not-squaring-the-circle>

<http://varsitynewspaper.co.za/news/4396-student-housing-crisis>

www.theatlantic.com