

An investigation into the claim that free fee higher education in South Africa would be regressive

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Source: Schacheri, 2015¹

“The opposition to a publically-financed higher education system is a political opposition to paying taxes rather than an attitude ineluctably derived from the mainstream of economic reasoning” (Vaizey, 1962, p. 36).

Abstract

The South African higher education student protests which began in October 2015 have culminated in the student body voicing increased demands for the implementation of free fee higher education. Key policy stakeholders and commentators have been critical of this demand stating that such a policy would be regressive and ‘destructive’ due to the fact that the rich dominate the student cohort, the net result of which would be the poor funding the higher education of the rich. There is a continued emphasis on the private benefits that higher education provides graduates, thereby necessitating tuition fees. This paper has shown that these arguments, dating back to the 1970s, have weak theoretical foundations. The view that the rich dominate the student cohort is questioned with the finding that only 18% of the households containing students are classified as rich. As the rich provide 97% of personal income tax revenue and 76% of value added tax revenue it would be difficult for the poor to fund the rich. The states ‘chronic underfunding’ of the higher education system comes amid ‘budgetary pressures’ highlighting the continued adherence of the state to fiscal austerity measures. These austerity measures have increasingly shifted the financial burden of higher education onto students. A financial burden that 80% of households are deemed to require financial assistance to meet. In reducing state funding to the higher education system, in real terms, the private benefits of higher education are used to lure students into paying ever increasing tuition fees, even taking on debt in order to do so.

¹ <http://www.zanews.co.za/cartoons/2015/10/22/feesmustfall-blade-plays-fiddle>

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Acronyms and Abbreviations

South Africa (SA)

Higher Education (HE)

Human Capital Theory (HCT)

South African post-secondary education (SAPSE)

National Development Plan (NDP)

Ikusasa Student Financial Aid Programme (ISFAP)

Public Private Partnership (PPP)

Consumer Price Inflation (CPI)

Progressive Personal Income Tax (PPIT), Personal Income Tax (PIT), Value Added Tax (VAT)

State Institutions:

National Student Financial Aid Scheme (NSFAS)

Department of higher education and training (DHET)

Government Technical Advisory Centre (GTAC)

INTRODUCTION

The South African (SA) student protests which began in October 2015 have cast a spotlight on the higher education (HE) system in the country. Grievances have been raised regarding the accessibility, affordability and state funding of HE. These concerns are a result of the increasing reliance on tuition fees as a key mechanism in funding HE. Frustrated by the lack of resources necessary to pay tuition fees, students made the demand for free fee HE to be implemented. This demand has resulted in the establishment of a commission to assess the current funding schemes and the admissibility of free fee HE in the country. The current debates and concerns around the funding of HE in SA echo a global trend. The funding of HE is a complex process with consideration of supply and demand, taxation, state budget allocation, the amount students are subsidised, access equality, funding allocations to colleges and technicons, the quality of education and living costs over and above tuition fees among some of the issues under consideration and debate. While key stakeholders and commentators in South African higher education suggest that fee free education would be regressive, in other words that wealth would be taken from the poor and redistributed to the rich, literature suggests that this claim may be unfounded. The research therefore sets out to investigate, in the South African context, the theoretical considerations which inform this view and the validity.

The literature review initially examines literature covering the marketisation of HE, the economic theories which justify tuition fees, the theory and ideology behind income contingent loan systems and an assessment of the primary literature informing the view that free fee HE is regressive. The focus then shifts to the South African context, the policy documentation informing tuition fees, the income contingent loan system and the prominent view that free fee HE is regressive.

SECTION 1 – LITERATURE REVIEW

1.1 The ‘state’ of Higher Education

The student protests in SA echo a global movement against the dramatic rise in tuition fees. Protests have occurred in Germany, Kenya, Chile, the United States of America, Côte d’Ivoire, Burundi, England and Quebec (Moosa, 2016, n.p.). These student movements are “slowly emphasising the idea that HE is a public good to which all must have access, constituting a reversal of the privatisation trend onset by decades of neoliberal policies” (González & Pedraja, 2016, n.p.). The policies informing the funding of HE began shifting dramatically in the 1970s², coinciding with the rise of neoliberalism, a doctrine synonymous with reduced tax rates and the reduction of state spending in favour of a balanced budgets (Chang, 2003; de Rivero, 2001). Fine (2012) describes the adoption of neoliberal policies resulting in large scale privatisation and the implementation of user fees for health and education as conditions set by the World Bank and International Monetary Fund in exchange for loans. “Governments internalised the logic underpinning user fees” (Fine, 2012, p.6), a logic of cost sharing relying on the distinction between the private and social benefits goods and services provide (Fine & Jomo, 2006). This resulted in a wave of financialisation, a process whereby the barriers to financial markets are removed and finance grows to dominate the economic lives and activities of a country and its citizens (Painceira, 2009).

1.2 Toward greater marketisation

Tilak (2004) notes that, globally, HE systems began shifting from models reflecting a public good (conventional system) to a tuition fee market-based model (emerging system). In countries where HE was free fees were introduced and where fees already existed, they were increased. To compensate for the lack of affordability of tuition fees student loans were introduced, as explained by the process of financialisation. Table 1 summarises this shift in HE systems.

² For a detailed account of the evolution of global HE funding see Woodhall (2007)

Table 1: The marketisation of HE

Conventional System	Emerging System
Welfare Approach	Market Approach
Public HE	Mixed and Private HE
Public Financing	Private Financing
Private: State Financed Institutions	Private: Self Financing Institutions
Private: State recognised Institutions	Private Institutions requiring no state recognition
Private: Degree awarding Institutions	Private: Non-Degree (Diploma/ Certificate) awarding Institutions
Private: Philanthropy and educations considerations	Private: commercial motives; profit motives
No Fees	Introduction of Fees
Low Levels of Fees	High Levels of Fees
No Student Loans	Introduction of Student Loan Programmes
Commercially Ineffective Loan Programmes – no security High default rates based on criteria of educational qualifications and economic needs	Effective/Commercially Viable Loan Programmes: security/mortgage Expected high recovery rates based more commercial considerations
Emphasis on Formal/Full-Time Education	Open/Distance/Part-Time Education
Selection criteria for Heads of Institutions: Academic background	Selection criteria for Heads of Institutions: Expertise in Financial/ Money Management; and in Resource Generation

Source: Tilak, 2004

Tuition fees were introduced or increased because it is believed that HE provides greater private benefits to graduates than social benefits to the public at large and as such the costs should be shared between the state and students. In this context the private benefits referred to are the increased employability and greater income earning potential of graduates as opposed to non-graduates. The foundation of this belief is human capital theory (HCT).

1.3 Human Capital Theory – The neoliberal justification of fees

Schultz (1961) hypothesised that greater levels of educational attainment resulted in a greater productive capacity of labour. Education, or 'human capital', was thus given relevance to the production function. Investments in 'human capital' would therefore increase both the quantity and quality of production, this the basic premise of HCT. Schultz (1961) demonstrated that differences in educational attainment among labourers served to explain observed differences in the income earned by labourers, such that higher levels of education resulted in higher wages earned. Psacharopoulos (2006) and Becker (1962) argue that public investment in primary and secondary education is necessary, however, due to the fact that HE provides graduates with significant advantages in the labour market which are derived in private capacity, public subsidies to HE are discouraged.

Despite this, Schultz (1961) emphasises the unequal distribution of income earnings highlighting the importance of investment in education, particularly for lower income earners. There are, however,

contradictions regarding the source of this investment, with Schultz initially stating the need for public and private loans before discussing state funding which,

... turns on ideas about welfare, the goal is to reduce the unequal distribution of personal income among individuals and families. Our community has relied heavily on progressive taxation and inheritance taxation. Given public revenue from these sources, it may well be true that public investment in human capital, is an effective and efficient set of expenditures for attaining this goal (Schultz, 1961, p.15).

HCT gained popularity with continued development by Schultz (1963), Becker (1964) and later Mincer (1989). Samoff and Carroll (2003, p.3) state that the direct link between economic growth and education demonstrated by HCT captured the attention of the World Bank as existing models failed to explain economic growth, comprehensively. With education in the spotlight, the World Bank set up its own education department in the late 1960s (Heyneman, 2003) and began influencing policy narratives (Fine & Jomo, 2006). This led to policy and funding guidelines being published by the Bank, one of which recommending that HE be fully privately funded (Heyneman, 2003). Despite the concerns of Schultz (1962) regarding inequality and the source of funding for investment in HE, there was a clear drive by the World Bank to promote private financing of HE, what Heyneman (2003) refers to as the World Bank's 'short policy menu'. Psacharopoulos (2006) and Becker (1962) argue that public investment in primary and secondary education is necessary, however, due to the fact that HE provides graduates with significant advantages in the labour market which are derived in a private capacity, public subsidies to HE are discouraged.

1.4 The 'immeasurable' benefits of HE

Together with the aforementioned HCT, the second component in justifying the global increase in tuition fees was the distinction between the public and private benefits derived by HE students. Using rate of return analysis Psacharopoulos (1972; 1981 & 1994) of the World Bank showed that, in both developing and developed countries, it made 'economic sense' to invest more public funds in primary and secondary education and to share the costs of HE because the benefits students derive are largely private. The different benefits created by HE are shown in Table 2, which demonstrates that the benefits of HE are not mutually exclusive rather complimentary, often overlapping making their individual assessment inaccurate.

Table 2: The benefits of HE

	Private	Social
Economic	Higher salaries	Increased tax revenues
	Greater chances of employment	Greater Productivity
	Improved working conditions	Increased consumption
	Personal and professional mobility	Increased workforce flexibility
		Decreased reliance on state support
Non-economic	Improved health and life expectancy	Reduced crime rates
	Improved quality of life for offspring	Increased charitable giving and community service
	Better consumption making decisions	Greater social cohesion and appreciation of diversity
	Increased personal status	Improved ability to adapt to and use technology
	More hobbies and leisure activities	

Source: (Merisotis, 1999)

The distinction between benefits is questionable given that social benefits were largely omitted from the rate of return analyses calculated due to the inherent difficulty in measurement. McMahon (2009) describes how the ‘difficulty and lack of understanding’ in measuring the social benefits created an exclusive focus on private benefits, resulting in the continued policy narrative of cost sharing between the state and students. The difficulty in quantifying the social benefits of HE does not eliminate their existence, what Merisotis (1998) elaborately terms the ‘chasm’ of understanding the wide array of benefits attributed to HE by both the public and policy makers. Merisotis (1999) demonstrated that the private benefits of HE also create social spill overs. If graduates earn higher wages they will in turn increase the state’s tax revenue. The greater employability of graduates also results in greater productivity, a conclusion conforming to HCT.

Having assessed the pattern of HE funding and the economic theory informing the funding of HE, the next section elaborates on and examines the primary literature which informs the view that free fee HE is regressive.

1.5 The simple supply and demand argument

With fees either being introduced or rising, Psacharopoulos (1977) provided a seminal piece on HE funding and access equality, whose conclusion continues to influence policy narratives today. Psacharopoulos argues that free fee or heavily subsidised HE would be regressive because non-price selection criteria, such as access tests, for university positions benefit the rich. This is due to the fact that applicants from higher social classes have access to greater resources and are thus able to perform better in access tests, resulting in a student cohort dominated by the said social classes. In

SA, the grade 12 final examinations can be considered as the ‘access test’ which determines university eligibility since university specific admissions tests are not used as the main entrance criteria.

Psacharopoulos (1977) used the following formulae to assess HE funding in 62 countries (excluding SA), 42 of which with per income capita lower than \$1000 and 22 with per capita income above \$1000.

$$\begin{aligned}
 (1) \quad r_u &= \frac{Y_3 - Y_2}{3(C_3 + Y_2)} & (2) \quad r_s &= \frac{Y_3 - Y_2}{3(Y_2)} & (3) \quad \Delta &= D_3 - S_3 & (4) \quad \left(\frac{C_3}{Y_2} \right) \\
 (5) \quad & \sqrt{\frac{\sum_i (S_i - S)^2}{3}} / S
 \end{aligned}$$

Where Y_3 = average annual income of a graduate, Y_2 = average annual income of a non-graduate, C_3 = the full cost of study HE studies per year, D_3 = demand for HE positions and S_3 = relatively fixed supply of positions in HE. Equation (1) represents the rate of return r_u of HE when it is not heavily or completely subsidised. Equation (2) formulates the rate of return r_s of HE when it is completely subsidised. Equation (3) demonstrates the supply and demand of positions in HE institutions. Supply is considered to be fixed in the short term while demand is based on the rate of return of HE against the rate of return provided by the best alternative. Equation (4) represents the subsidisation index, “that is the higher the direct social cost of education relative to foregone earnings, the higher the effective government subsidy when HE is provided free of charge” (Psacharopoulos, 1977, p.79). The final equation (5) quantifies what Psacharopoulos (1977) terms the educational inequality index. This index captured the “dispersion of enrolments by school level” (Psacharopoulos, 1977, p.82).

These equations are used to demonstrate that free fee or heavily subsidised HE has ‘perverse effects’ on access equality through a simple supply and demand argument. Logically, as state subsidisation to HE increases the rate of return derived from a HE qualification increases, $r_s > r_u$, thus the demand for HE, D_3 , increases. In calculating the subsidisation index (equation 4) Psacharopoulos indicates a lack of available data on the income earned by non-graduates, Y_2 , thereby substituting this with national per capita income figures. This would create inaccuracies because, as indicated by HCT, graduates earn significantly more than non-graduates, thus by using an average income figure, graduate earnings are included, resulting in an average higher than that which would be obtained from non-graduates exclusively.

The influence of this model and other rate of return analyses by Psacharopoulos (1972; 1981 & 1994) greatly influenced HE funding policies (Heyneman, 2003 and Samoff and Carol, 2003) toward greater cost sharing, considering this next section looks at the shortcomings of this model as well as the

simplifications made by Psacharopoulos in using this rate of return analysis to determine that public subsidies toward HE are regressive.

1.5.1 All else equal

Psacharopoulos (1977) uses social classes in stating that free fee HE is regressive, however, no definitions are provide for these social classes. Without definitions, representative conclusions cannot be made, given that the distribution of these classes would differ in each of the countries assessed.

Psacharopoulos fails to account for the social benefits indicated in Table 2 and by Merisotis (1999), continuing the focus on private benefits as discussed in section 1.4. The effects of progressive personal income taxation (PPIT), through which the higher the 'private benefits' of graduates the greater the tax revenue of the state, are also omitted. Taxation is a key component of this debate, Trostel (2010) found, in the United States of America (USA) that lifetime fiscal expenditures on graduates are much lower than non-graduates, with the former contributing much more in taxation. Trostel concludes that if producing more qualified tax payers was the only benefit of HE investment, it would still be a 'sound' public investment due to the amount of tax HE graduates contribute to the state revenue. Johnson (2006, p.1 & p.3) assessed public subsidies to HE in the USA, concluding that "although youths from high income families obtain more benefit from HE subsidies, high income households pay sufficiently more in taxes that the net effect of the spending and associated taxation is distributionally neutral or mildly progressive...low income households receive positive net benefits while very high income households receive negative net benefits".

Psacharopoulos (1977, p.78) states that these additional elements have been omitted from the equations "for simplicity... as they do not affect the points made" and that "part of the unsatisfied demand for HE is due to factors outside state control, these include market conditions for graduates and wage structures" (1977, p.81). The excluded factors have an effect on an individual's class, they cannot be discarded for simplicity. Potential students from lower social classes may not even apply to HE because of financial constraints, a consideration which those in higher social classes do not face, a point demonstrated by Kane (1995). Therefore the opportunity cost of not attending HE is not ubiquitous, as suggested.

Psacharopoulos (1977) concludes that free fee HE will create an excess demand against the 'relatively fixed' supply of HE positions. Curiously, Psacharopoulos (1980, 1981 & 1993) advocated redirecting state funding from HE to primary education. If states redirect their funds to lower levels of education and impose progressively higher tuition fees for HE, the long-term demand for HE would increase because of the expansion of basic education while the tuition fees imposed will create a greater

financial barrier to HE for those in lower social classes, essentially pricing them out of the market. Manski & Wise (1983) and Gladieux & Hauptman (1995) illustrate this point, finding that lower income students are more sensitive to higher fees than higher income students.

Ram (1982) found that when expanding these formulae, to account for public subsidisation at each level of schooling and the distribution of income within a country the 'perverse effects of regressivity' found by Psacharopoulos fall away, especially in low income countries. In order to conclusively state the free fee HE is regressive the class dynamics of the student cohort need to be considered, supplemented by the tax distribution which is critical as Mishan (1969) demonstrated in finding that the higher contributions of graduates to the tax pool result in HE 'paying for itself'.

The next section assesses the validity of the model presented by Psacharopoulos (1977) within the context of SA.

1.6 The inequality of choice

In SA, the unemployment rate (and the rate including discouraged job seekers) among those who have only completed primary school was 29.6% (41.5%), for those who had completed matric it was 25.8% (33.21%) and for HE graduates it was only 9.6% (11.55%)³. Without consideration given to the difference in employment opportunities between graduates and non-graduates the choice to enter HE is reduced to a pure business transaction in which the potential gain in income (private benefits) is the sole determinant of the demand for HE. Considering the variability in employment rates presented it would be overly optimistic to assume that every South African understands their labour opportunities and the income they would earn based on their decision to enter the labour market or attend HE.

In 2012 the Department of Higher Education and training (DHET, 2012) stated in 2007 there were 98 000 individuals, aged between 18 and 24, who met university entrance criteria but could not attend HE or find employment. The equations presented in section 1.3 do not account for such a scenario. A long-term study tracking the progression of the 2008 South African grade 12 cohort (van Broekhuizen, van der Berg, and Hofmeyr, 2016) reveals that those from more affluent schools are more likely to achieve entrance to HE, as argued by Psacharopoulos (1977). However, the study also concluded that about one third of all matriculants who meet the entrance criteria of HE did not enter a HE institution. While no indication is given why, they may form part of the 98 000 who cannot afford HE or find employment.

³ Authors calculations using Census 2011 data, these figures are for those 18 years and older

The model proposed by Psacharopoulos (1977) is static and do not account for HE inflation, a particular concern in SA. The cost of HE increases, on average, 2% per annum higher than consumer price inflation rate (CPI)⁴. Only those who can afford HE are free to opt between HE and their next best alternative. This inequality of choice is made particularly evident by Orthofer (2016) who found that when taking assets into consideration 10% of the South African population own between 90% and 95% of accumulated wealth, while the same group ‘only’ earns between 55% and 60% of the country’s income. Those who cannot afford HE simply lack the resources and finances to opt for an outcome with similar rates of return⁵.

In suggesting that public funds are better suited to primary and secondary education, the World Banks influence resulted in donor aid to HE being reduced, as a result developing countries had a reduced ability to finance their HE systems which resulted in the greater tuition fees, and the introduction of loan systems to provide access to those unable to afford tuition fees (Woodhall, 2007 p.20). Despite the concerns mentioned in this section as well as literature providing contrary findings the movement toward cost sharing, and income contingent loan systems to expand access continued, as Barr (1991, 2003) and Chapman (1997, 2005) assisted countries, both developing and developed in the setting up of student loan systems (Woodhall, 2007).

Perhaps the best critique of Psacharopoulos and the World Banks work in HE, ironically originates from from the World Bank itself, pointing out the lack of depth in the economic theories behinds HE funding,

“... Economic arguments are based on a limited understanding of what HE institutions contribute. Rate of return studies treat graduates as valuable only through their income and the greater tax revenues extracted by society. Graduates clearly have many other effects on society, they are well placed to be economic and social entrepreneurs, having a far-reaching impact on the economic and social well-being of communities. They are vital to creating an environment in which economic development is possible. Finally, rate-of-return analysis entirely misses the impact of university-based research on the economy – a far-reaching social benefit that is at the heart of any argument for developing strong higher education systems” (Task Force on Higher Education, 2000).

Having assesse the macro trends in HE funding, focus is now shifted to the South African context, which in many areas mirrors the discussion thus far.

⁴ This is based on the South African Higher Education Price Index, accessed at: <http://www.usaf.ac.za/wp-content/uploads/2016/09/HEPI-project-report-Executive-summary.pdf>

⁵ Branson, Garlick, Lam & Leibbrandt (2012) detail the inequality and unemployment present in SA despite the high primary and secondary school attainment rates.

1.7 Higher Education Funding in South Africa

Maassen and Cloete (2006) note the rise of neoliberal ideologies in the 1980s, with which came the 'acceptance' of the increased marketisation of HE. This saw it being viewed as a mixture between a public and a private good. The SAPSE model advocated tuition fees on this basis (Bunting, 2006), echoing the theoretical perspectives of HCT and the World Bank, discussed in section 1.2 and 1.3.

Bunting (2006) highlights how the Apartheid government reduced funding, in real terms, to the HE while simultaneously increasing tuition fees, mimicking global trends (Maassen & Cloete, 2006). The importance of tuition fees as an income stream for the funding of HE systems was growing.

In the first post-Apartheid White Paper on education, there is a clear reflection of theory discussed in the previous sections.

Fee-free HE for students is not an affordable or sustainable for SA. The knowledge and skills acquired in achieving HE qualifications generate significant lifetime private benefits as well as long-range social benefits for the public at large. Although HE institutions admit an increasingly large proportion of students from poor families, students from middle-class and wealthy families still tend to be disproportionately well-represented. For these reasons, the costs of HE should be shared equitably between public and private beneficiaries (DoE, 1997, p.40).

The pre and post-1994 government narrative pertaining to the funding of HE did not deviate very much and reflect the findings of Psacharopoulos (1973, 1977 & 1981) and later Chapman (1997, 2001) and Barr (2003, 2004). All of whom advocate cost sharing and the use of income contingent loan systems to increase the accessibility of HE, which will be discussed in the next section.

1.8 Loans to expand access

In SA, the National Students Financial Aid Scheme (NSFAS) was developed to prevent financial exclusion from HE, allowing greater accessibility. As detailed on the official website⁶, NSFAS provides loans to students at 80% of the Reserve Bank Repurchase rate with the maximum value of a loan being R71 800 per annum. Loans are repaid once a student has graduated and earns a steady income of, at least, R30 000 per annum. Repayments range from 3% to 8% of annual income paid in monthly installments. In 2011 NSFAS provided finances to 31% of the entire undergraduate cohort (Simkins, 2016, p.53). In light of the student protests the social classes used to assess the eligibility of applicants for financial assistance has been expanded to those shown in Table 3.

⁶ These details were found at <http://www.nsfas.org.za/content/studentsupport.html>

Table 3 – ISFAP funding categories

Social class:	Household income per annum
Very Poor to Poor	R0 – R150 000
Middle Class	R150 001 - R300 000
Rich	R600 000+

Source: DHET, 2016

The DHET (2012, p.ix) states that “SA does not have an official singular definition of the poor, with different departments using different definitions”. Visagie and Posel (2013) highlight the lack of a clear definition of the middle class in SA. Without universal definitions, the argument stating that the middle and rich classes dominate the student cohort becomes an exercise of definitions. Collaborative policy discussion and analysis would be difficult to achieve without formally accepted definitions

The second White Paper (DHET, 2013) and NSFAS 2014 Annual Report (NSFAS, 2015) make clear indications of affordability concerns regarding HE costs and the need to financially accommodate a greater audience. Within the National Development Plan (NDP) the state also acknowledges the need to create greater access to HE, highlighting South Africa’s poor HE participation rate⁷ with respect to comparable middle-income countries. The NDP sets the target of increasing the HE participation rate to 30% by 2030 (NDP, 2011) advocating NSFAS as the vehicle with which to expand access. In order to nearly double the participation rate in 19 years, significant increases would be necessary in funding the system, which has not been the case. Despite recognising the ‘chronic underfunding’ of the system (DHET, 2014) and the affordability constraints of potential students, tuition fees continued to rise above CPI.

1.9 ‘Taking money from the poor to subsidise the rich’

With the inability of NSFAS to assist all those who are financially excluded from accessing HE and the affordability concerns of the middle class, students began protesting. Although not part of the original protest, student bodies eventually began demanding the implementation of free fee HE. In response, there has been a continual emphasis that such a policy would be regressive (Cloete, 2016 & Archer, 2015). The minister, deputy minister and the director of HE policy at the DHET (Carlisle, 2016; Manana, 2016 & Nicolson, 2016) are among those who expressed this view. In reaction to the student protests and an increased media focus, the DHET stated that “a wealth of evidence supports the fact that free HE systems tend to be regressive, redistributing wealth from the poor to the rich” (DHET, 2015, p.4). The Minister of HE stating that “it would be taking money from the poor to subsidise the rich” (Shange,

⁷ The participation rate is the percentage of a population group aged between 20 and 24 who attended a higher education institution. The NDP claims a participation rate of 17% (p.273)

2015, n.p.). Despite these claims no evidence is provided, however, the narrative outlined by Psacharopolous (1977) is clearly evident.

It is worth considering that some students do not even apply to HE due to financial constraints. Ironically the DHET (2012, p.ix) highlights this point, “NSFAS funding is insufficient to meet demand, widespread poverty in SA, coupled with very high unemployment especially amongst the youth, affecting both financial and epistemic access to university”. This statement contradicts the views expressed above and despite research concluding that, provided a PPIT system, free fee HE is not necessarily regressive, the view persists among key stakeholders in the HE sector. Evidence also exists which suggests that theory behind the narrative that free fee HE is regressive is unfounded, particularly given the social class dynamics of South Africa and its HE student cohort. As previously stated, the DHET (2012) highlighted that financial exclusion, despite meeting the criteria for entry is prevalent in SA. Given this evidence an investigation into the narrative, among key stakeholders, which states that free fee HE is regressive will provide an important view into the elements which inform HE policy and the considerations of key stakeholders regarding HE funding.

1.10 Research Questions

The primary focus of this research is to investigate the underlying narrative and evidence supporting the widespread view stating that free fee HE in SA would be regressive. In order to achieve this it will be necessary to conduct interviews at the key intuitions which formulate HE policy and funding. The aim was to supplement these interviews with student data. This approach has been adapted due to limitations on the availability and accessibility of data regarding applications for HE as well as applications for financial assistance to access HE.

Sub questions

1. What is the theoretical basis for the continued reliance on income contingent loans?

It has been shown that SA has become increasingly reliant on the loan system to create greater access to HE since its inception, this while the states contribution to HE funding has decreased. This research will assess this reliance, despite the states acknowledgement that there are limitations to the current system.

2. What is the prevalence of the social classes of South Africa within the student cohort?

A key consideration of the debates surrounding the funding of HE requires a class analysis of the HE student cohort against the greater SA population is presented in order to ascertain the relative over or under representation of classes within the student cohort. This can be used to validate the statements and policy narratives outlined in section 1.

SECTION 2 – RESEARCH METHODOLOGY

Section 2 will discuss, in more detail, the mixed methodology used to answer the questions outlined in section 1.11.

2.1 Assessing the policy narrative

A purposive sampling strategy was used to identify key stakeholders, in authoritative positions at the DHET, National Treasury, NSFAS and the Council on Higher Education, all of which formulate and advise on HE policy and/or funding⁸. A total of 6 key stakeholders were interviewed, using semi-structured interviews. Given the sensitivity of this research the identity of the key stakeholders will not be disclosed. Interviewing these key stakeholders allowed for a comprehensive assessment of the presiding policy narrative and its theoretical basis to be assessed. Semi-structured interviews were chosen due to their comparability and flexibility, with additional questions asked when the need arose. Interview questions were informed by the literature review and material which surfaced because of the commission of inquiry into HE and training. The core questions used in the semi-structured interviews are provided in the appendix (A1).

2.2 Creating a class based cohort

Census 2011 data was used to assess the national household income distribution and that of households containing HE students. The feasibility of using more recent data from the General Household Survey was assessed, however, the income data was found to be erratic with far fewer income bands than those present in the Census data set⁹. In creating these distributions all responses where personal or household income was “unspecified” were removed from the data, thus the tables and charts based on the authors calculations presented in section 3 were calculated using ‘cleaned’ base sizes. All analysis conducted was based only on students attending public universities.

The original aim was to supplement the student cohort created from Census 2011 with data from HE loan suppliers to assess who is financially excluded from HE. Unfortunately, this data was not provided by suppliers, despite originally agreeing to do so. None-the-less research by state institutions, in light of the aforementioned commission of inquiry, have been used to supplement this research. These include key contributions concerning the affordability of HE, the tax burden across the social classes in SA and the class dynamics of the HE student cohort. This combination supplements the descriptive

⁸ It must be stated that key stakeholders stressed that the views expressed are personal and do not reflect the views of these institutions as a whole.

⁹ All data sets, whether used in the results section or found to be inadequate for the purposes of this study, were obtained from: <https://www.datafirst.uct.ac.za>, The 10% sample Census 2011 data set was used.

statistics created, allowing for a more well founded analysis, especially given the lack of data availability.

2.3 Limitations

Ageing Data:

A study of this nature is very much dependent on the quality of data available. While Census 2011 proved to be the most applicable dataset, it is 6 years old, which given the changes to the HE sector in that time, renders it as somewhat dated. At the time of the analysis the 2016 community survey data was not made available.

Limited availability of meaningful data:

Income data is also known to be unreliable. However, given the secrecy of financial institutions and the inability of state institutions to provide the data requested, Census 2011 again proved the most applicable. The household income figures in the Census dataset are also derived and are therefore not exact. Statistics South Africa obtains the household income figures¹⁰ by summing the income of all individuals living within the same household. The income of individuals is asked using intervals not exact amounts, therefore, in order to calculate household income each individual in the household had to be assigned a specific income relative to their earnings. These amounts are shown in the proxy variables column below. Using proxy variables to derive household income would potentially compound the issue of already unreliable income data.

Income Categories:	Proxy Values:
No income	0
R 1 - R 4 800	R 3 200
R 4 801 - R 9 600	R 7 200
R 9 601 - R 19 200	R 13 576
R 19 201 - R 38 400	R 27 153
R 38 401 - R 76 800	R 54 306
R 76 801 - R 153 600	R 108 612
R 153 601 - R 307 200	R 217 223
R 307 201 - R 614 400	R 434 446
R 614 401 - R 1 228 800	R 868 893
R 1 228 801 - R 2 457 600	R 1 737 786
R2 457 601 or more	R 4 915 200

¹⁰ Statistics South Africa provides explanations of all the variables in its metadata publication, available at: <https://www.datafirst.uct.ac.za/dataportal/index.php/catalog/485/download/8285>

Although the class demographics of the student cohort will be assessed, the data available provides little detail on the method used by students to pay their tuition fees, which would allow for a more thorough analysis. The data available only allows for surface level arguments to be made, which in this case is sufficient.

There is also no data which measures the reasons why those who apply for and receive the results necessary to enter HE do not do so. This is vital considering that just over a third of the 2008 matriculants who qualified for HE did not attend, even up to six years after matriculating (van Broekhuizen, van der Berg, and Hofmeyr, 2016).

SECTION 3 – FINDINGS

This section combines insights from census data analysis, state research and the interviews with key stakeholders highlighting the key findings.

3.1 The narrative of free fee HE as regressive in the SA context

- All of the key stakeholders were unanimous in the opinion that free fee higher education would be regressive. This is because the rich dominate the student cohort and as a consequence of this, the poor would be funding the higher education of the rich.

Figure 1: Distribution of annual household income (2011)

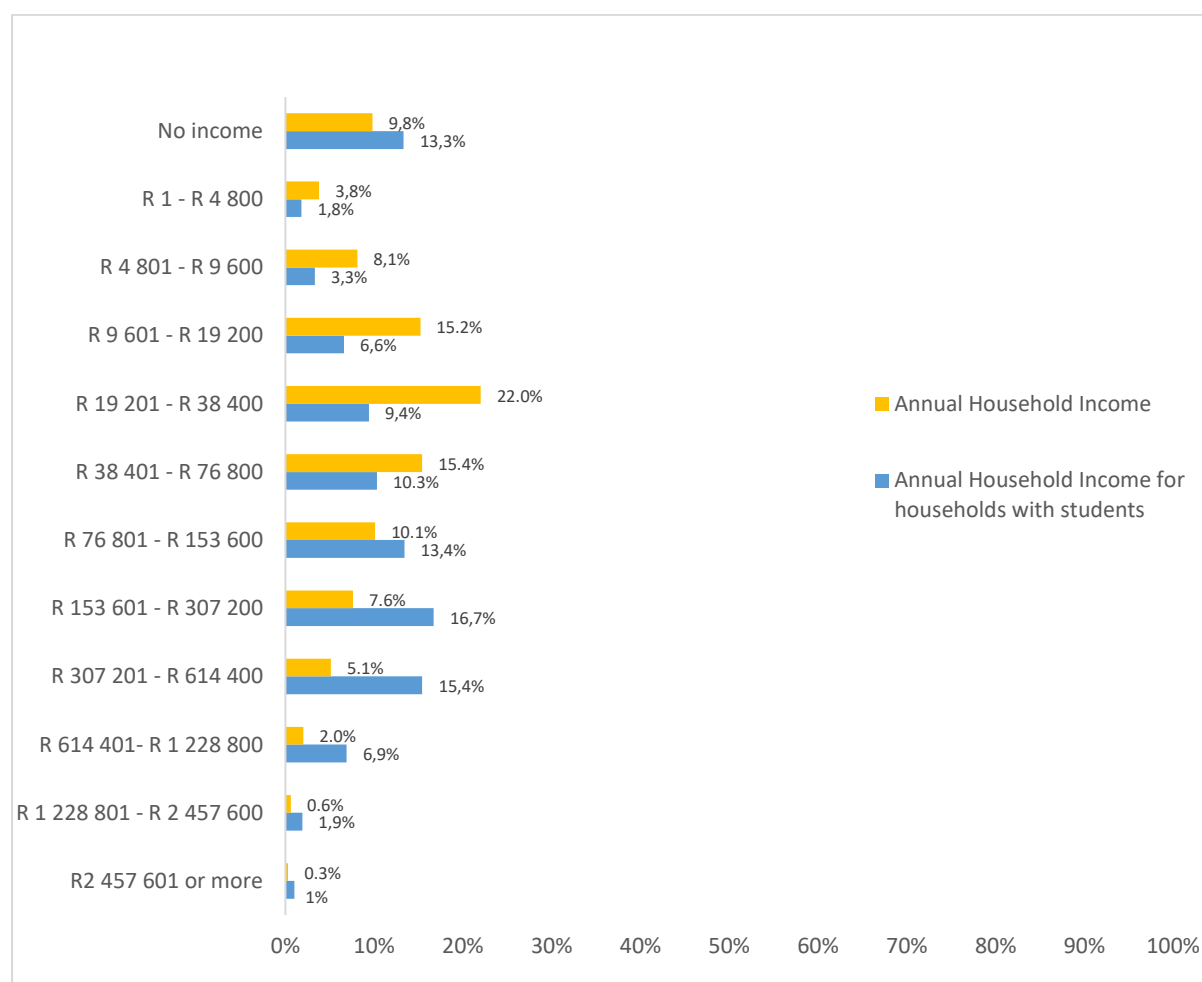


Figure 1 shows the national distribution of annual household income vis-à-vis the distribution of annual household income for the households containing HE students, based on the standard income categories found in the Census 2011 dataset. Figure 1 demonstrates that from the annual household income category of R76 801 to R153 600 per annum, each subsequent income category is over-

represented when comparing the national household income distribution to the distribution of household income for households with HE students. The income categories used in the Census dataset utilise different income categories as compared to those shown in Table 4, which are to be used by ISFAP. The ISFAP model, proposed in the latter half of 2016, declared that students from households earning an annual income lower than R600 000 per annum would qualify for financial assistance based on a sliding scale, where financial assistance is provided in the form of both loans and grants or a combination of the two. This combination would depend on the financial well-being of the households from which applicants come.

Table 4: The ISFAP funding scheme

Defined Class:	Annual Household Income		Year of study			
			1	2	3	4
Very Poor	R 0	R 150 000	Grant	Grant	Grant	Grant
Poor	R 150 001	R 300 000	Grant	Grant	Grant\Loan	Loan
Lower Missing Middle	R 350 001	R 450 000	Grant	Grant\Loan	Loan	Loan
Upper Missing Middle	R 450 001	R 600 000	Grant\Loan	Loan	Loan	Loan

Source: Key Stakeholder three and four. The expanded income brackets shown above are not found in (DHET, 2016)

All but one of the key stakeholders agreed that these income brackets were good representations of the social classes in SA. Key stakeholder two stressed the need to expand on the ‘very poor’¹¹ category from its current definition of R0 to R150 000 to R0 to R300 000 per annum on the basis of the added financial pressures facing previously disadvantaged citizens, the high dependency ratios found in poorer households and the general economic difficulties in the country.

The Census dataset used for this research is from 2011 while the income categories in Table 4 are at 2016 prices as such the income categories were adjusted downward to account for the inflation experienced between 2012 and 2016¹² to provide the income categories shown in Table 5.

¹¹ The latest ISFAP model expands on the NSFAS class definitions by splitting the lowest class into very poor and poor, although the income bands associated with these expanded class definitions are not found in the official ISFAP report (DHET, 2016) they were provided by Key Stakeholder three and four. The definitions are provided in Table 6.

¹² Annual inflation rates were accessed at: www.inflation.eu/inflation-rates/south-africa/historic-inflation/cpi-inflation-south-africa.aspx. The rates used for these calculations are presented in section A2 of the Appendix.

Table 5: 2011 adjusted ISFAP funding categories

Defined class:	Annual Household Income	
Very Poor	R 0	R 120 241
Poor	R 120 242	R 240 483
Lower Missing Middle	R 240 484	R 360 724
Upper Missing Middle	R 360 725	R 480 965
Rich	R 480 966 and over	

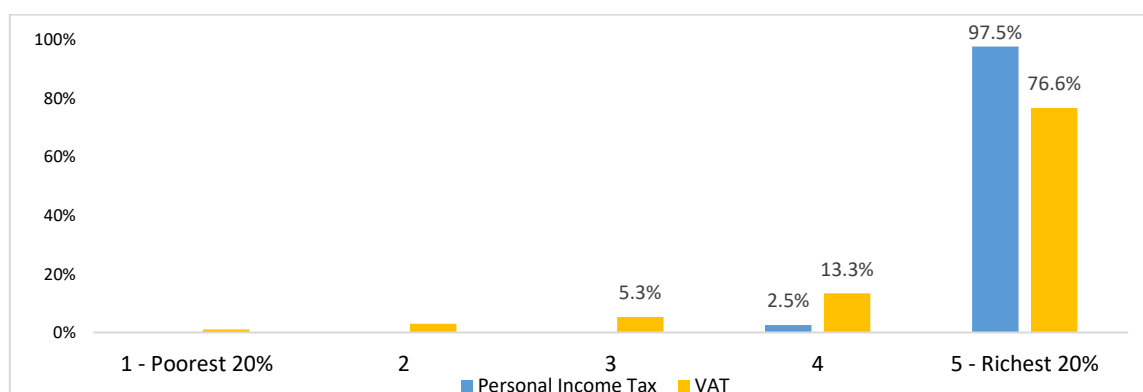
In order to match the inflation adjusted class definitions in Table 5 with the predefined annual income categories from Census 2011, mid-points were used where categories overlapped to best approximate the distributions. The result of these calculations is shown in Table 6.

Table 6: A comparative distribution of household income

Defined Class:	Annual Household Income Distribution			
	All Households	Cumulative	Households with Student/s in HE	Cumulative
Very Poor	79%	79%	51%	51%
Poor	9%	88%	15%	66%
Lower Missing Middle	5%	93%	12%	78%
Upper Missing Middle	1%	95%	4%	82%
Rich	5%	100%	18%	100%

Table 6 highlights that while only 5% of South African households are considered rich, the same households contain 18% of HE students indicating their over-representation, but not 'domination' of the student cohort.

- The second point key stakeholders mentioned regarding the regressive nature of free fee HE was that the poor would finance the HE of the rich. Figure 2 looks at the PIT and VAT tax burden in South Africa across the poorest to richest citizens. The figure clearly shows that the majority of the tax burden falls on the richest 20% of the country's population whether one considers PIT or VAT.

Figure 2: Concentration share of taxation in SA

Source: (<http://www.justice.gov.za/commissions/FeesHET/hearings/set1/day03-NationalTreasury-Presentation.pdf>)

3.2 Private benefits justify fees

- There was unanimous agreement that HE provides a mixture of public and private benefits and that given the developmental nature of the SA economy the public benefits are vital to the country's growth. Despite this, stakeholders agreed that the private benefits students derive from HE are significant enough to justify fees, as key stakeholder two stated, "everyone should pay something and irrespective of the size some fee should be paid".

The private benefits of HE would be substantial given the inequality of income and opportunities in SA. This point is well illustrated in Table 7 which highlights the difference between the employment rate and wages of matriculants and graduates.

Table 7 – The quantified private benefits of HE¹³

Annual Income Bands:	Matriculants		HE Graduates and Postgraduates	
	No. of earners	%	No. of earners	%
No income	260 000	7,50%	25 000	3,3%
R 1 - R 4 800	78 000	2,30%	3 571	0,5%
R 4 801 - R 9 600	150 000	4,50%	4 180	0,6%
R 9 601 - R 19 200	450 000	13,30%	9 529	1,3%
R 19 201 - R 38 400	770 000	22,50%	21 000	2,8%
R 38 401 - R 76 800	700 000	20,70%	51 000	6,8%
R 76 801 - R 153 600	570 000	16,70%	150 000	19,8%
R 153 601 - R 307 200	300 000	8,80%	230 000	31,2%
R 307 201 - R 614 400	91 000	2,70%	150 000	20,4%
R 614 401 - R 1 228 800	21 000	0,60%	71 000	9,4%
R 1 228 801 - R 2 457 600	8 372	0,30%	19 000	2,5%
R2 457 601 or more	5 796	0,20%	12 000	1,6%
Total number in population:	3 404 168		746 280	
Average earnings per year:	R 89 042 ¹⁴		R 385 049	
Employment rate	52%		87%	

3.3 NSFAS and affordability concerns:

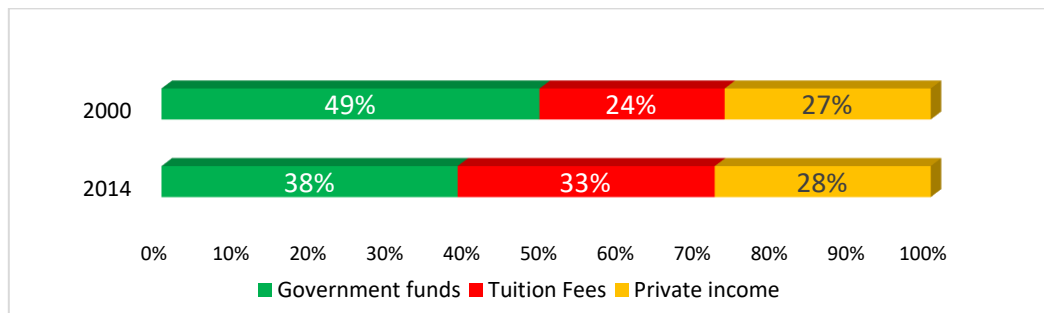
- All key stakeholders expressed concern over the state's ability to afford greater allocations to HE, particularly given the higher than CPI, inflation rate experienced by the sector. In contradiction to the previous finding, key stakeholders also expressed concerns over the ability of the average South Africans to afford tuition fees. The belief was held that, due to these concerns and in order to create greater equality of access to HE, the income contingent loan system was the best way forward.

¹³ Authors calculations using Census 2011 data, see section 2

¹⁴ With the average matriculant earning R 89 042 per annum they would be exempt from paying personal income tax. The tax exempt amount for the year 2011 was R120 000 per annum as per the SARS taxation guide:
<http://www.treasury.gov.za/documents/national%20budget/2011/guides/Budget%20Pocket%20Guide%202011.pdf>.

Figure 3 shows the dramatic decline state funding to the HE sector between 2000 and 2014. More importantly, given the context of this research, it also shows the increase in tuition fees offsetting the decline in state funds.

Figure 3: Composition Higher Education income streams (2000 and 2014)

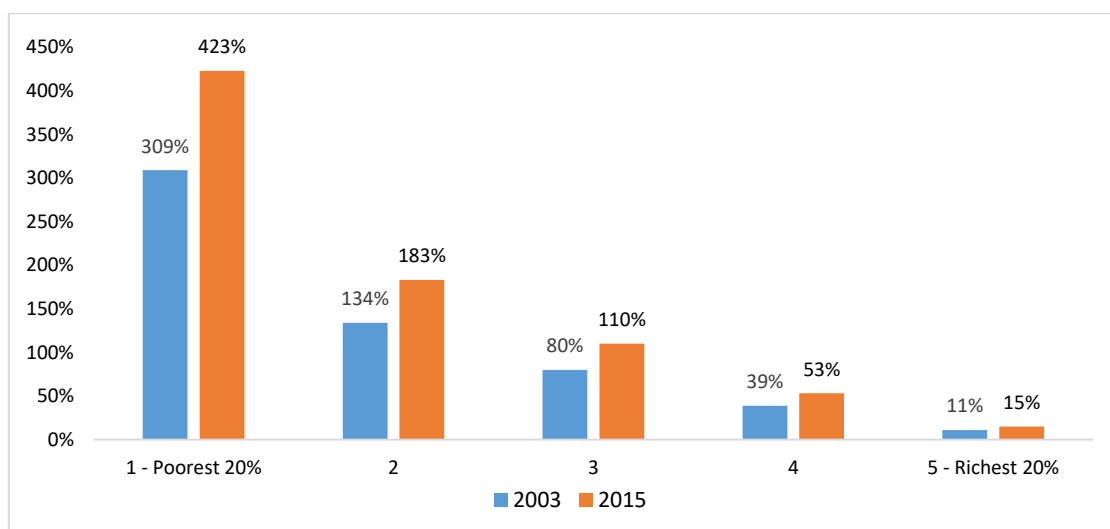


Source: Authors calculations using figures obtained at <http://chet.org.za/data/sahe-open-data>

- Having expressed the view that free fee HE is regressive, key stakeholders agreed that tuition fees must be paid, no matter how small the amount. The 'social class' breakdown found in the NSFAS and ISFAP funding models were deemed to be sufficient for the purposes of determining the amount of tuition fees which need to be paid.
- All key stakeholders acknowledged the financial constraints of South Africans and although agreeing that the country's debt situation is precarious, that income contingent loans [NSFAS] remained the best way to provide equal access for 'all'. Key stakeholders all pointed out that the system has had several flaws but firmly believed NSFAS to be the best vehicle for creating greater access to HE in SA.

The affordability constraints facing South Africans wishing to attend HE have worsened considerably since 2003. At 2015 prices a poor household would need to quadruple its annual income in order to facilitate a single year of the costs associated with HE.

Figure 4 - Full cost of studies and household income by quintile (2003 and 2015)



Source: GTAC, 2016, p.1

- There was a lack of consultation with literature when framing and discussing policy narratives. Two key stakeholders referred to a long term study by (van Broekhuizen, van der Berg, and Hofmeyr, 2016) in support of their view, while another stakeholder mentioned extensive consultation with the work of Barr and Chapman.

Having presented the key findings, the next section discusses them in greater detail, utilising greater detail for the interviews conducted and the data analysis.

SECTION 4: RESULTS AND DISCUSSION

The policy narrative key stakeholders and commentators hold, which views free fee HE as regressive is informed by the class dynamics of the student cohort and the distribution of the tax burden in the country. The continued reliance on NSFAS comes as a result of the view that free fee HE is regressive and the belief that tuition fees are validated by the private benefits graduates receive.

4.1 The social dynamics of SA

The 1997 White paper on HE set the tone for the inadmissibility of free fee HE in SA. As the extract in section 1.7 pointed out, free fee HE would not be permissible because of the class dynamics of the student cohort. At the time, given the backdrop of Apartheid and the racial segregation described, it may well have been the case that the HE student cohort was disproportionately skewed toward wealthier social classes while also suffering from racial bias. Much has changed in SA in the proceeding 20 years, the student cohort now more closely reflects the racial profile of the country while also containing a large proportion of female students (De Villiers, 2010). Despite these developments, all key stakeholders believed that the thinking behind the denial of free fee HE in the 1997 White Paper still stands today, with rich households dominating the student cohort.

It is important to point out that the definition of both the poor and middle classes remain a contentious issue in SA, there is no clearly defined or universally accepted definition for each of the said classes (DHET, 2012 and Visagie & Posel, 2013). Despite this, there was agreement on the classes used by NSFAS and now ISFAP.

Table 6 shows the distribution of national annual household income vis-à-vis households with students in HE. The analysis of Lehohla (2017)¹⁵ had similar findings with rich households comprising only 20.7% of the student cohort (at 2016 prices) suggesting that the rich, although over-represented do not dominate the student cohort.

At the other end of the wealth spectrum, 79% of all households in the country would be considered, using the adjusted inflation ISFAP model scale detailed in the previous section, to be very poor. 51% of households containing students are considered very poor. Despite the under-representation of very poor households with students relative to their national distribution, the fact that half of all households with students are considered very poor is alarming in its own right. When considering the ISFAP sliding scale (Table 4), the implication of this is that half of all households with students would

¹⁵ The findings of Lehohla (2017) were personally provided by Key stakeholder six. The findings have not made been made publically available as yet. Curiously though, the other presentations made by Lehohla on the same day (23 January 2017) as that being referenced, have been made available at: <http://www.justice.gov.za/commissions/FeesHET/hearings.html>

require government grants to finance their HE, in other words free fee HE. Taken further, two-thirds of all households containing students are classified as poor to very poor, again dispelling the narrative that HE is dominated by the rich. This analysis reinforces the need to correctly identify and assess the nature of the student cohort particularly given the sensitivity of debates surrounding HE in South Africa at present. Tilak (2004, p.18) sates a similar conclusion when assessing the HE student cohort in India, “HE is no more elitist; it is somewhat 'democratised' with a large proportion of socioeconomic weaker sections participating in HE”.

Based on the discussion above financial assistance would be accessible to 82% of the households with students (via ISFAP), which is an overwhelming majority. While it is evident that as household income increases the degree to which households are represented within the student cohort also increases, only 18% of the households are deemed financially able to pay tuition fees without assistance from ISFAP. The crisis of HE affordability and inequality highlighted by the Government’s Technical Advisory Centre¹⁶ (GTAC, 2016) in Figure 4 is thus clearly evident.

In essence then free fee HE is considered regressive and inadmissible because 20.7% (at current prices) of all the households containing students are considered rich (earning above R600 000 per annum). However, If a household earns R599 000 per annum it is considered part of the missing middle where the affordability of HE becomes a concern. It is difficult to see, how an additional R1000 per annum would make the difference in being deemed able to afford HE without assistance from the financial aid scheme. This is the challenge in relying solely on income data to construct social classes, emphasising the need to consider the concerns mentioned by key stakeholder two. Using the figures calculated by Lehohla (2017), if the very poor class is expanded to R0 to R300 000 per annum as suggested by key stakeholder two, the ISFAP model would provide free HE to 57.5% of the student cohort.

Having shown that the notion that the rich dominate the student cohort, is unfounded, the second component of the advantages of the rich have over the poor is now discussed.

Key stakeholders referred to the fact that they have not seen literature providing evidence in favour of free fee HE. Of the key stakeholders who were asked about several of the studies used in this paper, all stated that they had not come across them or that the topics of discussion had not been raised. Only key stakeholder two failed to mention the study conducted by van Broekhuizen, van der Berg and Hofmeyr (2016) as discussed previously. Key stakeholders suggested that this study provides ‘hard

¹⁶ The Government Technical Advisory Centre, forms part of the National Treasury. As per the official website it provides support in various areas such as public finance management, professional advisory as well as project management and transaction support, more information is available at: <https://www.gtac.org.za>

numbers' which demonstrates that the HE cohort is comprised of students from upper-class secondary schools. The study also found that over a third of learners who pass grade 12 with the requirements to enter university did not do so (within six years of completing grade 12, during which the study was conducted). The reasons for this are not given within the study, however, key stakeholder four, five and six stated that this would be caused by the lack of space in universities, learners taking gap years and "mostly the big delay occurs because they are trying to find funding". If the main reasons for learners not entering HE directly after matriculation is the inability to finance further studies, the idea that 'the wealthy' dominate the HE student cohort would be self-fulfilling as they are more likely to have the resources to do so.

Key stakeholder four, five and six used the hypothetical example of a learner who resides in a rich household and attends an expensive private school vis-à-vis a learner from a poor household who attends a rural secondary school. "When attending HE the student from the private secondary school can afford to pay tuition fees and therefore must pay, while the student from the rural school must be financially assisted". Although logical this argument is not irrefutable, whether HE is free or imposes substantial fees, students from the rich households will still attend, or at least in the model by Psacharopolous (1977), discussed in section 1.5, consider their best alternative given the resources and socio-economic conditions at their disposal. Students from poor households would more easily be able to access HE if it was free otherwise they must seek financial assistance. Those from poor households also lack the resources and socio-economic foundations to consider an equal or greater investment as that provided by attending HE. In the absence of funding they must enter the labour market as non-graduates and as shown in Table 7 the employment rates and income earned would be much lower than that of their graduate counterparts. This results in society and education being reproduced, perpetuated by the financial barriers of HE.

Consider that, as suggested by key stakeholders four, five and six, the above argument is inconclusive because if HE was free academic considerations become the sole criteria for HE selection and the rich are more likely to succeed as they have access to greater resources. They will, therefore, dominate the HE student cohort, a view which again mirrors the findings of Psacharopolous (1977). The issue herein is that whether HE is free or imposes substantial tuition fees, the rich will still have access to these resources and be best placed to decide on whether to attend HE. Due to the resource advantages of the rich, the consequences of a decision not to attend HE would have a far greater impact on a poor person as opposed to a rich person.

Using Figure 4, it is shown that the burden of the full cost of the study for HE is 408% lighter on the richest 20% of households than it is on the poorest 20%. The burden is also 38% higher for the second

richest 20% than it is on the richest 20% of households. The rich are therefore more easily able to consider the decision to attend HE irrespective of the financial considerations attached to it. By introducing free fee HE one of the fundamental barriers which, as shown in Figure 4, effects 80% of households in SA, would be removed. Ironically, the study (van Broekhuizen, van der Berg & Hofmeyr, 2016) mentioned by key stakeholders as providing evidence of the over-representation of the rich in HE, also provides evidence of the argument presented herein as pointed out, ironically, by key stakeholder 4. Most of the people who do not enter HE immediately after secondary school, despite qualifying for entry, do not do so because of financial constraints. The idea that free fee HE is regressive because the rich 'dominate' the HE student cohort is self-fulfilling as they would have the financial means to do so. The findings discussed in this section also suggest that the rich do not dominate the student cohort.

The next section assesses the second component of the argument stating free fee HE is regressive, which is that the poor would be financing the HE of the rich.

4.2 Someone has to pay

Key stakeholder four and five echoed the narrative of Psacharopolous, analysed in section 1.5. They argued that poorer families would fund the HE system which is dominated by the "upper middle class and the rich", a questionable statement given the findings discussed in the previous section. It is important to note that even though termed free fee HE, the funds necessary to maintain the HE system still need to be sourced, in other words someone has to pay.

To justify the view expressed above key stakeholder four stated that there is a "nuanced" difference between the public and private benefits, using the hypothetical example of the distinction present between a lawyer and a social worker the following scenario was presented, "If HE is fully funded by the state, a well-to-do lawyer will earn a high salary through their profession, accumulating private benefits. While the social worker will provide a greater benefit to society through the work they do, he/she will not earn as much income as the lawyer. The lawyer should then personally fund part of their HE". This hypothetical example does not consider the tax implications for the lawyer and the social worker. SA utilises a PPIT system, that is, the more an individual earns the greater the amount of tax they pay. Therefore even though the lawyer may, potentially, earn a much greater income he or she would still contribute much more, through a PPIT system, to society. The second stream of taxation, value added tax (VAT) is based on consumption, the greater an individual's consumption the greater the amount of VAT an individual will pay. If free fee HE was to be funded by PIT, the scenario

described is unlikely as shown in Figure 2, which was presented by the National Treasury at the commission of inquiry into HE and training¹⁷.

Income tax is paid by very few in SA, the richest 20% of the population contribute 97.5% of the total PIT collected. They also contribute over two thirds of the VAT collected. If free fee HE was to be funded by the PPIT, it would not be possible for the poor to fund the HE of the rich as the poorest 3 quintiles of the population, in other words, 60% of South Africans, do not contribute to this form taxation. In keeping with the sentiment of key stakeholder one, who believed that the state budget is a “political tool”, Vaizey (1962, p. 36) found that “the opposition to a publicly financed system is a political opposition to paying taxes rather than an attitude ineluctably derived from the mainstream of economic reasoning”. Looking at Table 4, it can also be noted that the average matriculant’s income per annum excludes them from paying PIT, therefore they would not be contributing to the HE of the rich. In this scenario they would in fact not be contributing to society. If free fee HE is provided, the matriculants who do pay tax may then consider entering HE due to the removal of the financial barriers imposed by fees.

Vandenberghe (2005) found, using Belgian data, that there was merit to the claim that free fee HE was more an ‘implicit loan’ than a regressive transfer, especially among undergraduates. Sturn and Wohlfahrt (2000) arrive at the same conclusion using Austrian data. This is the idea behind the PPIT system, the more one earns the greater the subsequent contribution to the income tax pool. Taken further, a higher income will also lead to an increased consumption of goods and services which would then contribute increasing amounts to VAT pool as well.

The argument that free fee HE is regressive based on the demographics of the student cohort and the distribution of taxation have both been shown to be questionable using the findings of this research and that of state institutions. The next section focuses on tuition fees which, logically, are an outcome of the denial of free fee HE.

4.3 Tuition Fees: a process of natural financial selection

One of the fundamental debates, occurring on a global scale, in the HE sector is the issue of rapidly rising tuition fees. Tuition fees are ‘justified’ because HE graduates earn higher salaries allowing them to enjoy a higher standard of living, which is why the costs of HE should be shared and not fully subsidised by the state.

¹⁷ The presentation was accessed at: <http://www.justice.gov.za/commissions/FeesHET/hearings/set1/day03-NationalTreasury-Presentation.pdf>

Key stakeholder four mentioned the fact that the fundamental principles on which the tuition system is based are now, due to the protests, open to contestation. However, the point of view one develops is facilitated by the research consulted. A point highlighted by key stakeholders one and two who mentioned consulting research demonstrating the prominence of private benefits. This conclusion is self-fulfilling, especially in SA. It makes logical sense that a HE qualification creates substantial private benefits given the conditions facing the youth in the country. Table 7 demonstrates that, as opposed to matriculants, graduates enjoy far higher employment rates and subsequent compensation for their employment. The private benefits 'attributed to HE' are clear to see, however, these figures point to a contradiction in the logic behind the critique of free fee HE. If free fee HE is not desirable because it is regressive then by accepting the notion put forward by key stakeholders and commentators that the rich and upper middle class 'dominate' the student cohort it would be logical to conclude that the income they would earn post education is much higher than a matriculant from a poorer household. In that sense the inequality of income and, therefore, access to HE is perpetuated by the presence of high tuition fees. Instead, the lure of employment possibilities and the potential to earning higher income creates a willingness by students to pay ever higher tuition fees, in many cases taking on debt, in order realise these benefits (Tilak, 2004).

Although key stakeholders agreed that HE is both a public and private good, acknowledgment was given to the fact that the public benefits derived from HE are pivotal in SA, given the country's "transformation agenda and the severe inequality experienced" (key stakeholder two and three). By imposing fees, which have been consistently increasing, at approximately two percent higher than CPI¹⁸, financial barriers to HE are erected. These fee increases put pressure on the ability of households to fund further studies. Thus, fees create a process of natural financial selection whereby only those who can access funds are catered for. The easier the degree to which these funds are accessible the more likely a learner will be able to further their education. The price elasticity of HE for rich households would be much lower than the classes below them because of their ability to cope with rising tuition costs. Studies in other countries have shown that the poor are more debt averse, thus fee increases are likely to adversely impact their ability to access HE (Manski & Wise, 1983; Gladieux & Hauptman, 1995 and Callender & Jackson, 2010).

Callender and Jackson (2010) highlight this point by concluding that, in the United Kingdom, students from lower social classes are more debt averse and are therefore are less likely to apply for financial assistance in order to access HE. By continually increasing tuition fees, it is the classes below the rich

¹⁸ See <http://www.usaf.ac.za/wp-content/uploads/2016/09/HEPI-project-report-Executive-summary.pdf> for a discussion on the Higher Education Price Inflation calculations and trends.

who must seek increasing levels of financial assistance, in other words debt, to access HE. This point is evident in Figure 4, where the Government Technical Advisory Centre (GTAC, 2016), found that the full cost studies of HE in 2015, as previously mentioned was greater than the annual household income of 60% SA households. The figure also demonstrates the dramatic rise of the full cost of studies over the 12 year period of analysis, escalating quicker than the rise in household income. In 2003 the full cost of studies was just over three times greater than the annual household income of the poorest 20% of households in SA. By 2015 this worsened to over four times greater than their annual household income. This serves to highlight income inequality present in the country, with the richest households 408% more capable of financing the 2015 full cost of study than the poorest households. The fourth quintile of households, in other words the second richest 20% of all households, would still need to spend over half of their entire annual household annual income in order to meet these obligations, for each student in the household. Only the richest 20% of the population are able then, relatively speaking, to afford HE.

The increasing unaffordability of HE also put pressure on the state to provide a greater degree of funds to the NSFAS system to ensure that there is adequate financing for each year's students who simply do not have the means with which to finance their studies. In this scenario, only the very poor who receive the full cost of study grants and those from rich households whose education is either paid for through familial wealth or commercial loans are afforded access to the HE system. The issue herein is that it is not only the very poor but, as suggested by Figure 4, 80% of all households in SA which require financial assistance for HE. This was one of the primary reasons driving the student protests. The funding system for HE is thus a reflection of much broader social conditions within the country, which is the point key stakeholder two thought should warrant the increase of the very poor income band as previously mentioned. The affordability concerns expressed are a reflection of the lack of financial resources not only within South African households but within the state, to which the focus now turns.

4.4 The growth of neoliberalism and the decline of HE funding

The second component to the introduction and increase of fees, which may then warrant the justification for their existence, has been the rise of neoliberalism which involves the marketisation and financialisation of economies, the net result of which is a reduction in state spending (Fine, 2012). SA retains a strict balanced budget approach. It has been shown that even in a developed country, the United States of America, HE budget allocations are the most volatile item in the country's budget, often used as a 'balancing wheel' increasing during times of prosperity and the first to be decreased during economic downturns (Delaney and Doyle, 2011).

In SA, there has been what is termed 'chronic underfunding' of the HE system (DHET, 2014). A process which, as detailed in section 1.7, has continued for decades. This has been supplemented by the systematic rise in tuition fees as a key component in funding the HE system shown in Figure 3. Although the theoretical reasons for fees have been discussed, one must consider the broader macroeconomic policy trends which have led to the shrinking of public budgets and the introduction of user fees (Fine, 2012). Key stakeholder two, although aware of the state wastages, was critical of the continual 'tightening of the belt' to satisfy budget cuts, stating that such curtailing is becoming "inhumane".

One key stakeholder criticised the financial situation in SA, expressing that economy would survive with greater state spending, provided the 'leakages to the state's financial pot' are rectified,

We do over-emphasise this [a balanced budget approach]...how much more proof is required to show that the current mode of operations is not working. We are a bit more conservative but the combination of low growth and high unemployment is not changing it is as though we are waiting for this phase to pass when, indeed, it has not.

Of the key stakeholders who were shown Table 8, there was mutual agreement that HE in SA demonstrates the characteristics of the 'merchant model'. Tilak (2004, p.18) observed that the market does not ensure the 'socially-optimum' supply of education, thus in allowing HE to progress toward the 'merchant model' where the socially desirable level of investment is not met and HE becomes an increasingly private, labour-market driven good.

Table 8 - The changing nature of HE

	Socialised model	Merchant model
Nature of education	Public good	Private good
Merchant service?	Non-merchant service	Merchant service
Profit-making?	Non-profit-making	Profit and non-profit-making
Price or rate	Free or almost free	Charged
Supply	Determined on the ground of economic or social need	Market driven
Selection	Academic	Academic and/or pecuniary
Financing	Public	Private
Cost of living charge ability	Wage/grant/autonomy allowance	By the family or by debt
Access to employment	Positions administered, national salary scales (aiming to equality)	Labour Market

Source: Vinokur, 2007

If HE is market driven then it would obviously secure graduates substantial ‘private’ benefits, the evidence of which is demonstrated by Table 7. With the global resistance to tuition fees growing, using the lure of these private benefits to secure the willingness of students to pay fees obscures the fact that governments are not investing the socially optimum amount in HE.

The next section discusses the financial contribution of the state to the HE system and assesses the states HE participation goal based on the funding patterns.

4.5 Shifting the financial burden of HE

The states response to the student protests in 2015 was to freeze fee increases for the 2016 academic year, followed by the application of fee increases only to those above the ISFAP funding threshold (R600 000 household income per annum) in 2017. This freezing of fee increases contradicted a trend shown in Figure 3, whereby since 2000 there had been a steady decline in the contribution of state funding to the HE system, which was complemented by a rise in student fees to make up for this shortfall.

In 14 years, the contribution of the state to HE income fell by over 10% while the contribution of tuition fees rose by over 10%. Key stakeholder two was well aware of this situation stating that “the problem started a long time ago. This is not to shift the blame onto the National Treasury, the problem is that there isn’t enough in the state coffers. The only way to generate funds was to increase student fees”. Taken further key stakeholder one and two also mentioned the fact that the DHET had been aware of the impending crisis which the system now finds itself in. As a result, the DHET submitted several bids to increase the national budget allocation to HE and training but the government simply

'did not' have the funds to fulfil these additional increases. The same stakeholders also spoke of a 'hierarchy' of needs, through which the budget is prioritised, a process whereby the cabinet decides on national spending priorities after which the national budget is allocated accordingly. These developments effectively demonstrate the fiscal austerity synonymous with neoliberalism and the reduction of social spending that has resulted (Fine, 2012). Tilak (2004, p.10) warns against this thinking, "patterns of public expenditures in developing countries show that the governments are not as much starved of resources as of a lack of priorities and political will, especially in the case of sectors like education".

Looking at the ten-year trend in funding shown in Figure 3, HE does not appear to be a priority in light of the 'limited state funds' available. A point which was clearly expressed by one of the key stakeholders, stating that "when the public budget is seriously strained and tough decisions have to be made HE has never been a top priority, until recently. Spending usually focuses on pro-poor areas like basic education, health and other growth-enhancing activities. HE has never been there, it has only been put there because we have reached a crisis".

With the SA economy faltering it can be argued that the 'growth-enhancing activities' which were prioritised have borne little fruit, sentiment was echoed, as mentioned earlier, by key stakeholder one. In light of the state's budget pressures, it appears that the government was aware of the underfunding of the HE system, reducing its contribution and increasing that of tuition fees. This swapping of financial burdens inevitably reached a melting point, as indicated by key stakeholder two, "students are now feeling the pain and are therefore protesting, otherwise it could have been business as usual for a long time". The sustained reliance on increasing tuition fees further highlights the decision to freeze fee increases for the 2016 academic year. All key stakeholders were averse to this decision demonstrating the heavy reliance on tuition fees.

They believe that the decision had negative consequences for the sector, firstly it set a "bad" precedent of non-fee increases upon which it would be difficult to retract in future and secondly, the decision lost the HE sector a substantial amount of income as expressed by key stakeholders two, "we have lost a lot of income, particularly from sponsors. I heard that the Chamber of Mines supports 6000 students, by freezing fee increases the additional funds which would have come through from this source did not. So for each student there is a loss of income". The reliance on other avenues of income is further evidence of a 'merchant model' of HE, as discussed in section 1.1 and 1.2

The decision to freeze fee increases also meant that a funding strategy for the poor and missing middle would need to be found. Key stakeholder one stated that this would "require a significant increase in

funding, however, the state cannot carry this cost which is why ISFAP proposes a public private partnership (PPP), a solution which would get the private sector to contribute”.

The criticism leveled by key stakeholders around the freezing of fee increases reflect the over-reliance on tuition fees in funding HE. Key stakeholder three was defensive of this stating that “fee increments are a natural outcome of increasing costs at universities ... and for the country as a whole so universities will be affected and will need to pass these increased costs on to the students”. As mentioned, Lehohla (2017) showed that only a fifth of all households containing HE students are classified as rich (earning above R600 000 per annum). If we accept that, as proposed by the ISFAP model, any household in the country that earns below R600 000 per annum forms part of the poor and missing middle, we are accepting that 80% of households in SA require financial assistance.

The next section looks HE participation goals the state has set for HE, which are assessed given the funding constraints discussed above.

4.5.1 Expanding access without funds

The NDP sets ambitious goals of significantly increasing the HE participation rate as well as the capacity of universities in order to facilitate this, by the year 2030. It is difficult to envision these targets being met based on the discussion in the previous section. Key stakeholder one pointed this out, “the White Paper issued in 2013, much of which emanated from the NDP, was issued without a resource plan. It proposed an idealised picture of what SA should look like without any roadmap toward achieving these ideals”. Key stakeholder two believed “the faults in this strategy are clearly starting to materialise”.

Key stakeholder one felt that, “If we do not increase the [state] funding, the 30% participation rate the national planning commission has set, is not going to happen. Yet if they say 30% we have to commit, it is good to set high targets but one needs to put down pathways to this. Will we get there with current resources? I don’t think so”. The planning commission thus set over-ambitious targets without the necessary resource provisions for these targets to be met.

Looking at the class distribution in Table 6, the NDPs participation rate goal of 30% would mean a large number of those currently financially excluded from HE, would be able gain access to HE given composition of wealth within the country. Given the funding concerns discussed the funds necessary to allow this would not come from the state but through loans. It is for this reason that key stakeholders and commentators would naturally insist that NSFAS is the correct vehicle with which to increase access to HE.

The focus now turns to the income contingent loan system by assessing the current developments in the wake of the protests followed by the practicality of the system given the findings herein.

4.6 Debt for Access

Key stakeholder one stated that due to the state's budgetary pressures and the billions of Rands in additional spending needed to fund the 'missing middle', a new model was developed leveraging off the increased involvement of the private sector (ISFAP). The private sector, in this case, referring to banks and financial institutions, who are involved in order to bridge the financial gap in the HE system. The formation of this PPP falls perfectly in line with Fine's (2012, p.5) analysis of neoliberal policy, "the expansion of markets under neoliberalism (as with all aspects of privatisation and commodification) has underpinned the expansion of finance in particular... with financialisation as the key distinguishing feature of the neoliberal era... this is not simply a matter of macroeconomic policy but the heavy subordination of economic and social policy to the dictates of the promotion of markets in general and especially of finance". Hill (2010) also comments on the commercialisation of education in what is termed "edu-business," the process of privatising education systems turning them into profit making institutions, which by 2004 was already generating \$365 billion in profit worldwide.

HE in SA is either paid for by familial wealth, a commercial student loan or NSFAS, the problem herein is that the exact size of each of these forms of financing is unknown. Commercial banks and educational loan providers do not share their data as highlighted by Donnelly (2012). In keeping with this veil of secrecy one of the loan providers, although initially agreeing to provide data for the purposes of this research, later declined.

What also become apparent was the lack of data availability, management and co-ordination within NSFAS. The organisation was previously decentralised with micro-offices at each university and no system to link all the micro-offices together. Thus obtaining data on the total number of applications made, the number of applications declined and the annual household income of the applicants proved to be an ultimately 'impossible' task. When this query was presented to those involved with the Higher Education Management Information System (HEMIS), an over-arching data system which contains the data of every student in the HE system, the response was similar, stating that NSFAS data is very difficult to access and at that moment was not available. It was suggested that the official report on NSFAS, which would contain the requested data, would be released in 2017 (after the completion of this research paper).

While these complications created difficulty in assessing the financial composition of the student cohort for the purposes of this study, the same challenges would be encountered by those assessing

and compiling policy. Without the necessary data, one must question the basis of claims made regarding the nature of HE. Key stakeholder six mentioned that no study or data collection effort has been successful in determining the relative size of each financing source. If these details, crucial to the topic of this research, are unknown can the claim truly be made that free fee HE would be regressive?

Commercial banks and other educational loan institutions have thrown a veil of secrecy around the number of students they provide finances for. With the ISFAP model, the same institutions will be responsible for providing the funds necessary to financially assist the 'missing middle'. The point of contention here is that the private sector already provides loans for HE, like all other loans they provide, with the intention of making a profit. It is worth questioning whether the missing middle's inability to afford HE has been seen as a profit making exercise. Key stakeholder one echoed these concerns regarding the involvement of the private sector in the financing of HE, "the private sector is really coming to the party, I ask what's in it for them. It may be a good idea to really interrogate that model [ISFAP]. The banks are part of the model yet they already fund quite a few students".

Profit making concerns aside, the second point of contention with the PPP relates to the students to which these loans will be granted. Key stakeholder one stated that "there is the danger of this becoming an elitist funding scheme for those who qualify for the highly rated qualifications, for example, medical students because not everyone qualifies for those courses". Key stakeholder two also mentioned that with the increase in private funding, "the private sector may influence HE institutions into doing the things they want them to do".

One must ask the question whether, in the face of private sector funding, an engineering applicant will be preferred over a fine arts applicant given the perceived employability of those graduates and their resultant potential to repay those loans, especially given the narrative of HE as a labour-market driven good. The future of HE funding and policy will be interesting to monitor once the ISFAP model is fully implemented and whether or not the private sector is regulated. Neoliberalism has succeeded in creating negative connotations of state involvement in the economy (Chang, 2003), however, the 2008 global financial crisis and more recently, and closer to home, the exchange rate fixing scandal by financial institutions (Steyn, 2017) demonstrates the dangers of unmitigated financialisation and excessive privatisation.

4.7 Expanding loans in an affordability crisis

Summarising the argument thus far, it has been demonstrated that key stakeholders are adamant that, as a result of the private benefits obtained through HE, fees are necessary. Utilising a policy doctrine not dissimilar to that discussed in section 1, the country has been relying on ever increasing tuition fees for decades. Despite the severe affordability constraints detailed in section 4.2, key stakeholders were unanimous in the belief that income contingent loans (ICL) were a good solution. While key stakeholders believed that improvements could be made in the efficiency of the system, it was still viewed as 'fair' with the belief that the greater earning potential of HE graduates would outweigh the debt created by the student loan. Key stakeholder two and four believed that this is a fair trade off, with the former stating that to some extent, tuition fees should be paid, the amount be determined through NSFAS, "even if it is R200 a month, it must be paid".

The decision to continue with ICLs in order to improve access comes amidst a serious debt problem in the country, something all stakeholders were well aware of. "The reason why South Africans are so in debt is because they take out so many loans at stores for commodity goods, which they can never pay off" (Key stakeholder two). The contribution of Finn (2015) to the minimum wage research along with the Figure 1 demonstrate the precariousness of the financial realities of most households in SA. Loans are taken out by the poor because they have very limited means with which to fund their purchases.

There are also large financial pressures on previously disadvantaged graduates to cater for their extended families. Despite these additional concerns all stakeholders believed that beyond the minimum income threshold, loans should still be administered and re-paid. "The ICL system is not issued at commercial rates and it depends largely on the income of graduates thus I don't believe it will worsen the debt crisis. If you have succeeded in HE there is a good chance of finding employment and based on the income you earn you repay the loan on favourable terms and that is reasonable, I can't see that escalating indebtedness" (Key stakeholder four).

Having discussed the financial constraints of the state and the 'chronic underfunding' of the system, it was surprising that the costs of administration for the new ISFAP system were not mentioned. That being said, key stakeholder three and four mentioned that means testing applicants to determine their household income was "costly and cumbersome".

When assessing the theoretical foundations of HE, in light of the rise of neoliberal macroeconomic policies, a clear shift is seen in the sources of HE funding. The dramatic drop in state funding has been accompanied by an increased reliance on tuition fees in order to provide the necessary funds for the HE system. Therefore, in continuing along the current HE and macroeconomic policy framework, fees

and the ICL system are vital components in the future of HE funding. Even though there are severe affordability issues in SA, the HE system would simply not be able to function without the income generated by tuition fees, this dependency is not theoretically well founded serving instead to highlight the dominance of financialisation, privatisation and the reduced social spending of states (Fine, 2012).

This process is not unique to SA, but has been shown by Tilak (2004) to be a global phenomenon. As fees continue to increase, financial barriers to HE are erected and therefore there is an increased reliance on ICLs to create greater access to HE. The entire stream of income generated by tuition fees theoretically rests on the 'private benefits' generated by HE, using the possibility of employment opportunities and higher income to lure students into paying higher tuition fees. In essence then, the reliance on tuition fees and the ICL system boils down to the fact that someone has to fund the HE system and it has been shown that this burden has been increasingly shifting from the state to students, firstly through fiscal austerity and secondly through the hierarchical spending discussed earlier.

SECTION 5 – CONCLUSION

5.1 Free Fee higher education, the 20-80 rule

The current HE crisis and the attention which it has attracted have highlighted the ‘chronic underfunding’ of HE by the state. Of great concern is the fact that various state institutions were aware of the impending crisis but were unable to act on their concerns due to the ‘budgetary pressures’ facing the state. The funding constraints were merely pushed onto students. It has also been highlighted, by key stakeholders in the sector, that had students not voiced their concerns by protesting, the status quo of rising tuition fees and reduced government allocations to the HE system may well have continued. While key stakeholders understood the funding challenges and the financial difficulties faced in SA they remained steadfast in the continuation of tuition fees, unanimously agreeing that the decision to freeze fee increases in 2015 was a poor, a clearly contradictory set of views. Essentially someone must pay and the state is not going to.

Ironically, the student protests, have caused the HE system to seek assistance from financial institutions to bridge the funding gap. If the state was ‘chronically’ underfunding the system and shifting the burden onto students, while aware of the tough economic conditions and lack of affordability, the current crisis would seem self-imposed. Further to this, despite public institutions releasing findings regarding the affordability and characteristics of the student cohort, the argument that free fee HE is regressive remains firmly entrenched despite evidence suggesting this may not be accurate.

There was also no acknowledgment that rapidly rising fees may facilitate the over-representation of the rich within the student cohort, especially given the GTAC full cost of study affordability analysis presented. If the state is looking to increase the number of poor students in the student cohort, aware that the poor cannot afford HE and that there is ‘not enough resources’ available to fund all the prospective students who apply to NSFAS, the state is indirectly creating the financial constraints of the poor. This would also play a role in manipulating the representation of each social class within the HE cohort.

In comparing the personal income and employment data of matriculants vis-à-vis graduates it is clear to see that graduates have a distinctive earning advantage as the policy narrative states. However, the precarious position of the youth in SA and the lack of employment and economic growth also serve to exaggerate the differences between matriculants and graduates, such that in 2011 the average matriculant did not contribute to the PPIT pool. Taken further economic and social conditions in SA have resulted in the richest 20% of the working population contributing 97.5% of the country’s PPIT.

With this in mind and the fact that only 18% of the households with students being classified as rich (at 2011 prices) if fees tuition fees were removed it is difficult to see how the poor would finance the HE of the rich, as stated by key stakeholders.

In summary if only 18% of the households with students are considered rich, only 20% of households deemed able to afford HE without financial assistance and only 20% of the working population contributing 97.5% of PPIT and 76.6% of the VAT then the argument against free fee higher education effectively has strong financial and debt implications for 80% of households with students. The questioning the notion that the rich dominate the student cohort.

The continuation of the ICL system in the face of the heavy indebtedness found within SA. The long term implications of this PPP remain to be seen but concerns were certainly highlighted by key stakeholders. The justification of fees based on the private benefits of HE provides the theoretical foundation for the presence of tuition fees and therefore the continuation of the ICL. This theory is self-fulfilling particularly in the case of developing countries where the difference between the income earning potential of graduates and non-graduates is sizeable. What is not mentioned is the direction of causality between HE and income. Does HE ensure graduates earn a higher income, or as studies in sociology have shown, does higher income cause higher levels of educational attainment? The manner in which this relationship is assessed would lead to different conclusions, specifically within the severe financial constraints of households in SA.

Although funding policies involve the division of applicants by annual household income a broader understanding of the social classes seems to be lacking. Key stakeholders mentioned the financial pressures facing South Africans but failed to highlight the broader social context surrounding the income classes defined by NSFAS. Key stakeholders made no mention of the fact that HE may be influenced by existing income and parental educational attainment, rather the insistence on the fact that tuition fees are necessary because HE yields advantages in the labour market allowing for a higher income earning potential.

Despite the fact that several of the figures presented herein have been researched and reported by state institutions, there is still a wide-spread belief within various state entities that free fee HE is regressive and that fees must be paid, with the state reducing its funding as it has and the financial difficulties of SA households, HE faces an affordability crisis and thus the ICL system is by default the only vehicle to create access. This reasoning is not mentioned, but rather the lure of employment and higher wages is used to entice students to take on debt to study. This paper has demonstrated that both the theory and numbers behind the claims that free fee HE is regressive are questionable, with no findings in support of the notion.

5.2 Recommendations for further research

- To fully understand the nature and dynamics of the student cohort further research is needed to lift the veil of the secrecy, created by the private sector, surrounding the funding sources of students.
- The annual household income of households containing students also needs to be more accurately determined, hence the suggestion by key stakeholders to use the South African Revenue Service.
- With the centralisation of NSFAS underway, better data management will allow for an assessment of who applies to HE and who is denied access based on financial constraints.
- The direction of causality between HE and income needs to be assessed further, particularly in the SA context.
- This paper has shown that much of the economics theory pertaining to HE funding and tuition fees is questionable given the context of South African HE. The argument and policy narrative stating that free fee HE is regressive is theoretically questionable with the evidence presented pointing to the contrary. Without the data mentioned, this argument cannot truly dispelled, as questionable as it may be.

APPENDIX

A.1 Core interview questions

1. South Africa is often regarded as the most unequal society in the world, necessitating the importance of class dynamics when considering policy. How would you define the three main income cohorts or classes of South Africa (poor, middle, rich)? What criteria would/do you use to define the three classes in constructing policy or analysing policy?
2. The general debate on higher education positions it as a mixture between a public and a private good, what are your thoughts on this?
(Show Table 5) Which model is used in South Africa?
3. Higher education provides both private and social benefits, where private returns consist of the potential to earn higher personal income and the social benefits are said to include greater efficiency in consumption, better health, increased political efficacy and greater access to and understanding of culture, science and technology. Which outcome of higher education do you feel outweighs the other and why?
4. The World Bank (2015) rated South Africans as the most indebted consumers in the world, would expanding the educational loan system to create more access not increase the precariousness of this position?
5. What precedent, do you feel, was set by freezing the fee increase for 2016?
6. Literature from the World Bank, dating as far back as 1977 make the claim that fee free or heavily subsidised higher education would amount to a regressive policy. Do you feel that fee free higher education for all would amount to a regressive policy? Why or why not?
7. "Fee-free higher education for students is not an affordable or sustainable option for South Africa. The knowledge and skills acquired in the course of achieving higher education qualifications generate significant lifetime private benefits for successful students as well as long-range social benefits for the public at large. Although higher education institutions admit an increasingly large proportion of students from poor families, students from middle-class and wealthy families still tend to be disproportionately well-represented. For all these reasons, the costs of higher education should be shared equitably between public and private beneficiaries" (Education White Paper 3, 1997, p.40). Do you feel this still applies and what would your reasoning, if any different to that presented above be?

A.2 Annual inflation rates used in section 3.2.2

Annual consumer price inflation rates (2016- 2012)	
CPI South Africa 2016	7,07 %
CPI South Africa 2015	5,18 %
CPI South Africa 2014	5,32 %
CPI South Africa 2013	5,30 %
CPI South Africa 2012	5,71 %

Source: www.inflation.eu/inflation-rates/south-africa/historic-inflation/cpi-inflation-south-africa.aspx

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