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HIGHER EDUCATION PATHWAYS

SOUTH AFRICAN
UNDERGRADUATE
EDUCATION AND
THE PUBLIC GOOD

EDITORS PAUL ASHWIN & JENNIFER CASE

Higher Education Pathways

South African Undergraduate Education and the Public Good

Edited by Paul Ashwin and Jennifer M. Case

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CHAPTER 3

SUBSIDY, TUITION FEES AND THE CHALLENGE OF FINANCING HIGHER EDUCATION IN SOUTH AFRICA

Gerald Wangenge-Ouma and Vincent Carpentier

Introduction

The funding of higher education is a hot topic in South Africa. During apartheid, higher education was deliberately steered to marginalise a significant section of society. The funding systems were instruments used in the implementation of the apartheid government's so-called 'separate but equal' policy. In the post-apartheid period, higher education is required to transform the legacy of the past, expand access, improve quality and respond to South Africa's broader societal and developmental objectives. Similar to the apartheid period, funding is a critical driver for the realisation of public policy objectives in the post-apartheid period, mainly in regard to adequate funding for the university system and affordability, especially for students from lower socio-economic backgrounds.

For many years, researchers have identified a number of challenges with the various aspects of the financing of higher education in South Africa, inter alia, the adequacy of public funding, mechanisms for allocating subsidy to universities, tuition fees (cost-sharing), student financial aid, student debt, and third stream income (Bunting, 2002; de Villiers & Steyn, 2006; de Villiers & Steyn, 2007; de Villiers, van Wyk, & van der Berg, 2013; Wangenge-Ouma, 2010, 2012a, 2012b; Wangenge-Ouma & Cloete, 2008). These challenges can be understood within the context of the often complex and evolving relationship between higher education institutions, the state and society, as captured by Clark's triangle of coordination (Clark, 1983). Clark's triangular space is characterised, inter alia, by tensions and evolving relationships among the three key actors (higher education institutions, the state and society). For instance, in the South African context, these tensions are manifested, among others, by a mismatch between state funding and political expectations on the one hand, and societal and institutional realities and

expectations on the other hand. This chapter focuses on tensions related to two key elements: the adequacy of funding for the university system and tuition fees. Our approach is part of the political economy tradition, looking at higher education at the interface of political and economic processes. We review the financing of higher education in both the apartheid and post-apartheid periods, mainly to highlight the antecedents of the present challenges; examine the trends in the public appropriations for higher education within the context of enrolment growth and the performance of the South African economy, and finally, we engage the tuition fees question. Our empirical data were obtained mainly from official reports, treasury data and previous research.

We argue that the tensions are, to some extent, the product of a lack of a shared understanding of the needs, resources, challenges and visions of all three actors. For instance, universities have argued that the raising of tuition fees is a response to a decline in state funding. However, some analysts (for example, Pundy Pillay¹ as reported in Scott, 2016) have argued that public funding of higher education has in fact been adequate, given the country's depressed economic circumstances vis-à-vis demands for public funding from other equally important priorities such as health, security, basic education and infrastructure development. On its part, the state has argued that while it has increased student financial aid significantly, the impact has been minimal because of the tendency by universities to increase tuition fees. Universities, especially historically advantaged universities, have countered this view by arguing that a significant portion of the income generated from tuition fees goes toward providing financial aid to indigent students, hence advancing the goal of enhancing equity of access (Higher Education South Africa [HESA], 2008; Wangenge-Ouma, 2010).

Higher education funding during apartheid

Bunting (2002) provides a detailed analysis of the manner in which the government funded higher education during the apartheid era. He identifies two broad types of government funding that were in place, namely, negotiated budgets that were associated with blacks-only universities and technikons (for example, the Universities of Fort Hare and Venda) and formula funding, associated initially with whites-only universities (for example Universities of Cape Town, Stellenbosch and Pretoria). The funding systems were instruments used in the implementation of the government's so-called 'separate but equal' policy.

Whereas whites-only universities enjoyed considerable autonomy in the manner in which they spent government subventions, and decisions regarding what their tuition fees should be, blacks-only universities did not have similar autonomy and freedom. Their tuition fees and the details of their expenditure had to be approved by the government (Bunting, 2002; Wangenge-Ouma, 2007). The system of negotiated budgets involved the university or technikon

¹ Presentation at a colloquium by the Council on Higher Education on funding in higher education in South Africa held on 3 December 2015.

concerned submitting a 'needs' budget for expenditure and partial income to its controlling government department. The income side was the amount the institution expected to collect from student fees. The final amount which the institution was permitted to spend in that financial year would have been a net amount of approved expenditure, less student fees (Bunting, 2002; Council on Higher Education [CHE], 2004). The expenditure budgets finally approved were not determined by the student enrolments of the institution concerned but on assessments of current needs in the context of historical expenditure patterns. In many cases 'this amounted to adding a percentage to the allocation for the previous year, and did not overcome disparities with the more advantaged institutions or ensure adequate library, laboratory and computer facilities' (Bunting, 2002, p. 118). Expenditure by the institutions had to be strictly managed in terms of this budget, and any unspent balances on a negotiated budget would have to be returned to the national treasury. Further, institutions were not permitted to transfer these amounts to reserves under their control, hence leading to two consequences: unrestricted spending at the end of every year to discharge accumulated funds and no build-up of a reserve fund.

In 1982 the apartheid government started allocating subsidies and other financial resources to universities and technikons through the South African Post-Secondary Education (SAPSE) base formula funding (Bunting, 2002; Wangenge-Ouma, 2007). This formula was initially developed for whites-only universities. The overall amounts available for higher education were allocated to institutions in terms of a formula which contained as input variables full-time equivalent (FTE) student enrolments and as output variables student success rates and research publications (CHE, 2004). Unlike blacks-only universities and technikons, these amounts could be spent at the discretion of the council of the higher education institution, and unspent balances could be retained.

Although the funding formula was originally intended for whites-only universities, by 1988, the formula was applied to all universities and technikons. The formula had the effect of generating and perpetuating institutional inequities such that larger amounts of subsidy were available to whites-only universities because they 'had larger numbers of natural science enrolments, produced better student success rates, had more postgraduate students, produced more research outputs, had better management capacities, and so on' (CHE, 2004, p. 190).

Bunting (2002) argues that the SAPSE funding formula satisfied several principles of higher education funding: the principles of effectiveness, efficiency, and sustainability and the principle of shared costs. He contends further that the formula directed government funding of higher education at ensuring that the system achieved its pre-determined goals at the lowest possible cost. An analysis by CHE (2004, p. 190) takes a different view:

The formula encouraged growth which was not financially sustainable – especially as student enrolments increased from the mid-1980s – and which was not linked to issues of quality. ..., the a-factors [adjustment factors] introduced to contain the effects of growth created a climate of financial uncertainty for HEIs [Higher

Education Institutions], acting as disincentives to creative planning at institutional level and as incentives to expanding cash reserves, or devising strategies of cross-subsidisation, including distance learning activities. Finally, the formula encouraged larger numbers of cheaper enrolments in humanities, rather than in the more costly natural sciences.

One issue on which the various analyses of the SAPSE funding formula converge is the question of equity and redress. Bunting (2004, p. 132) perhaps captures the general consensus when he argues that the SAPSE funding formula ‘explicitly rejected the principles of equity and redress, holding that it was not the business of the higher education system to deal with social inequalities which affected either individuals or institutions’. Following the regime shift in 1994, a change in the manner in which higher education was funded became a priority and was inevitable. The SAPSE funding framework was regarded as essentially an apartheid funding framework that could not be used to transform the higher education system in line with the new government’s policies of equity, redress and development.

Changes to funding policies in the post-apartheid era

The apartheid era formula funding, adopted by blacks-only universities – which acquired the moniker ‘historically disadvantaged universities’ (HDUs) in the post-apartheid period – by 1988, remained in use up to 2003. The continued use of the funding formula, which was principally FTE driven, occasioned financial difficulty to a number of HDUs. After 1994, many black students enrolled in former whites-only universities (which later became known as historically advantaged universities [HAUs]) occasioning a decline in enrolments in the HDUs. Headcount enrolments in the HDUs fell from a peak of 111 000 in 1995 to 83 000 in 2000. This, combined with a range of other factors such as growing student debt, governance and management failures and general instability, resulted in the rapid erosion of the sustainability of a number of the HBUs (CHE, 2004; Cloete, 2002; Ministry of Education [MOE], 2001; Wangenge-Ouma, 2007).

Both the Education White Paper 3: A Programme for the Transformation of Higher Education, 1997 (Department of Education [DOE], 1997); and the 2001 National Plan for Higher Education in South Africa (MOE, 2001) emphasised the need for a new higher education funding framework that could serve as an effective steering mechanism for the attainment of transformation goals of the post-apartheid state. And in 2004, a new funding framework was introduced. The funding framework is generally consistent with some international accounts of the role which government funding can play in the implementation of national higher education policies (Merisotis & Gilleland, 2000; Ziderman & Albrecht, 1995). Unlike the apartheid era funding frameworks which rejected the principles of equity and redress, the present funding framework is generally aligned with government’s policies of equity, redress and development.

While the architecture of the funding framework has been maintained since its introduction in 2004, a number of changes have since been introduced. For instance, an HDI (historically disadvantaged institution) development grant, which would benefit the universities of Fort Hare, Limpopo, Venda, Walter Sisulu, Western Cape and Mangosuthu University of Technology and Sefako Makgatho Health Sciences University, was introduced in 2015/2016. The main purpose of this grant is to assist with establishing systems to develop and sustain the financial health of these universities and strengthen the academic enterprise. The introduction of this grant can be regarded as an acknowledgement of the inherent funding challenges faced by HDUs, *inter alia*, because of the historical, path-dependent factors referred to in the preceding section.

A review of the funding framework by the Ministerial Committee for the Review of the Funding of Universities (DHET, 2013), in terms of the goals that were set for it at its inception, suggests that many of the targets (set for 2010) were unmet. The unmet targets were in regard to gross participation rates, enrolments in science, engineering and technology fields, enrolments in masters and doctoral programmes, staff qualifications, throughputs, and research productivity. It should be pointed out, however, that there are many factors, beyond funding, involved in the achievement of university goals. Accordingly, the failure by the university system to achieve the targets cannot be attributed entirely to the funding framework. Having said that, the funding framework is not entirely blameless: one of the key critiques of the funding framework is that it is not driven by the actual costs of higher education provision, but by the amount of funds made available in the national higher education budget, which makes it a mechanism for dividing a pre-determined total grant allocation (de Villiers & Steyn, 2006; Wangenge-Ouma, 2010).

The manner in which public funding is allocated to universities is known to have a major impact on their behaviour, institutional performance, sustainability and their long-term success. While the collapse of apartheid occasioned dramatic transformative changes in the government's approach to the allocation of resources to universities, for many HDUs, the changes have not gone far enough to remedy their long history of underfunding

State appropriations for higher education

Allocations to the university system can be examined using indicators such as the percentage of total public expenditure that is devoted to higher education, public higher education expenditure as a percentage of gross domestic product (GDP), public higher education expenditure's share in relation to total government budget expenditure, public higher education expenditure's share of the overall education budget, and per student expenditures. In this section, we focus on public expenditure per student, which is a measure of public investment adjusted for full-time-equivalent students enrolled in the university system. It reflects the general purchasing power (or standard of living) given up (through public sources) to support the education of each university student.

Table 1 provides an important set of data regarding the funding of higher education in South Africa. The key observation from this table is that, while state funding for universities increased year on year in nominal terms and also in real terms (with the exception of 2007/08 and 2009/10), the rate of growth in funding did not however match the growth in the number of students as shown by the per capita growth in real terms (i.e. adjusting for inflation). With the exception of three years (2007/08, 2008/09 and 2009/10), the per capita growth in real terms shows a declining trend. Overall, over the ten years, per capita FTE allocation declined by 1.35%.

Table 1 Block grant allocations to universities from 2004/5 to 2014/15

Year	Block grant for universities in nominal terms (ZAR million) (A)	Growth in nominal terms (%)	Inflation (CPI)*	Deflator (B)	Block grant for universities in real terms (ZAR million) (C) = (A/B)	Growth in real terms (%)	HEMIS Student FTEs (D)	Per capita in real terms using FTE students (ZAR) (C/D)	Per capita growth in real terms (%)
2004/05	8 568	–	2.0%	1.00	8 568	–	505 473	16 950	–
2005/06	9 145	6.7%	3.6%	1.02	8 966	4.6%	500 931	17 899	5.6%
2006/07	9 956	8.9%	5.2%	1.06	9 421	5.1%	497 772	18 926	5.7%
2007/08	10 234	2.8%	8.1%	1.11	9 205	–2.3%	518 560	17 751	–6.2%
2008/09	11 550	12.9%	11.2%	1.20	9 614	4.4%	538 457	17 854	–0.6%
2009/10	12 701	10%	6.9%	1.34	9 511	–1.1%	569 708	16 694	–6.5%
2010/11	14 533	14.4%	3.8%	1.43	10 176	7.0%	600 002	16 960	1.6%
2011/12	16 387	12.8%	5.6%	1.48	11 051	8.6%	628 409	17 586	3.7%
2012/13	17 434	6.4%	5.6%	1.57	11 134	0.7%	634 548	17 546	–0.2%
2013/14	18 439	5.8%	5.8%	1.65	11 151	0.2%	665 856	16 747	–4.6%
2014/15	19 561	6.1%	5.6%	1.75	11 181	0.3%	668 705	16 721	–0.2%
Net % change in nominal terms in block grant from 2004/5 to 2014/15		128.3%	Net real change in block grant			30.5%	Net change in per capita FTE student allocation		–1.35%

Source: DHET (2015)

In 2004, the South African government acknowledged that, despite increasing appropriations, little improvement was being made in the real resources expended per student. University student enrolments were exerting unsustainable pressure on the fiscus. Partly to address this situation, the government introduced enrolment caps, thus limiting the number of students that individual institutions could sign up. In introducing the caps, the government argued that

the [South African] higher education system has grown more rapidly than the available resources. The resultant short-fall in funding has put severe pressure on

institutional infrastructure and personnel, thus compromising the ability of higher education institutions to discharge their teaching and research mandate.
(DOE, 2004, p. 3)

The quote above acknowledges the need for adequate funding for universities to deliver on their mandate; specifically, the need to align funding with enrolment growth. However, the continued pattern of underfunding, even after the introduction of enrolment caps, requires some explanation. We suggest three possible explanations: the failure of enrolment planning, that is, the inability to align enrolment growth with the available resources; strong demand for university education which could not be channelled to alternative opportunities within the post-school sector; and poor economic growth vis-à-vis the demands from other equally important public needs, such as infrastructure development, basic education, security and health.

During the 2016 mid-term review of the enrolment plans of universities for the period 2014–2019, and while the #FeesMustFall students protests² were raging, the Department of Higher Education and Training (DHET) attempted to remedy the misalignment between enrolment planning and funding, by encouraging universities to pursue slower enrolment growth in the remaining three years (2017–2019). The national enrolment growth was adjusted to 1.0% from the originally set growth target of 1.9%. It should also be pointed out that the university system in South Africa is notoriously inefficient in terms of student success and throughputs, which, inevitably, adds to the pressure on public funding. While throughput rates have improved, they remain poor. For instance, the throughput rate for the 2009 cohort, after five years, was 53.5%, an improvement on the 2000 cohort, whose throughput rate, after five years, was 44.2% (Green, 2016). The high levels of internal inefficiency in the university system have reinforced the view that the public is paying more for less. In response, universities have argued, inter alia, that the funding received is inadequate to provide sufficient academic support for the many underprepared students who join universities.

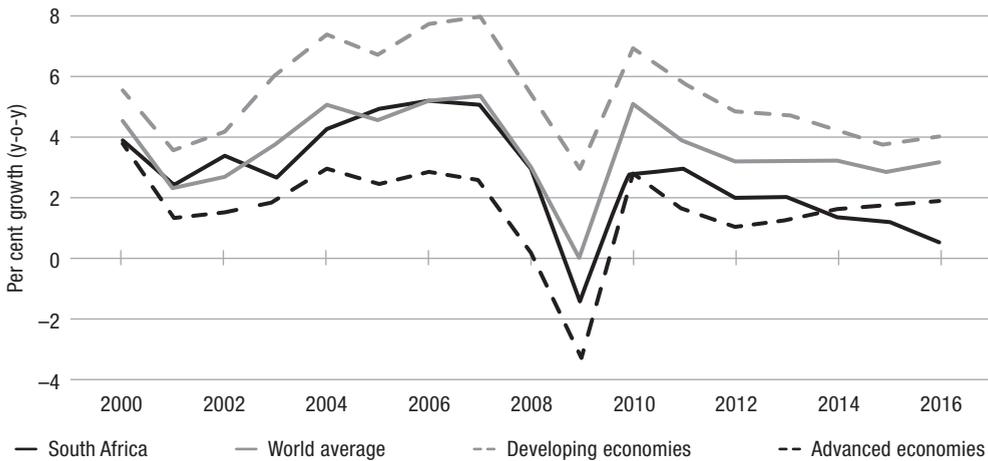
Cloete, Sheppard, & van Schalkwyk (2016), among others, have identified the ‘shape’ of the post-school system as one of the challenges with implications for public funding in South Africa. Unlike many post-secondary systems, for example, the United States of America (USA), where the majority of students are enrolled in technical institutions and colleges below the university level, the bulk of students in the South African post-school system are enrolled in the university system. In 2016, 975 837 students were enrolled in public universities in South Africa, compared to 705 397 who were enrolled in technical and vocational education and training colleges (DHET, 2018).

The ‘decline’ in state funding for higher education needs to be understood in the context of South Africa’s economic performance. We seek to demonstrate that trends in the allocation

2 In October 2015, student protests erupted across South African universities against, among others, high levels of tuition fee increases and inadequate funding support from student financial aid. The protests intensified in 2016, leading to the closure of many universities.

of financial resources to higher education cannot be interpreted adequately in isolation from the economic and social contexts in which higher education is located. As shown in Figure 1 below, the past decade was an economic nightmare for South Africa. Economic growth was sluggish and inflation rates were high. Persistent low growth has led to the stagnation of GDP per capita compared to other economies, especially from 2010.

Figure 1 South Africa's GDP growth, 2000–2016



Source: Makhanya (2016)

The poor economic growth has had a number of implications, among them, lower tax revenue collections (falling revenue growth – see Figure 2), increasing deficit, and borrowing by government. It therefore seems defensible to conclude that the decline in per capita FTE allocation shown in Table 1 reflects the economic challenges experienced by the country. In fact, compared to other sectors, the university sector seems to have fared better. For instance, the report of the presidential Commission of Inquiry into Higher Education and Training (2017) states that the shortfall in budget allocations to Technical and Vocational Education and Training Colleges (TVET) increased from 19% in 2013/2014 to a projected shortfall of 47% in 2017/2018. Regarding basic education, Spaul (2018) reports that funding per schoolchild has declined by 8% in the last seven years. This decline is projected to increase to 10% by 2019.

Tuition fees

The overriding principle in South Africa's public higher education funding is that costs must be shared between government and students (or their families). Van Harte (2002) notes that South Africa, even before it became a republic, charged tuition fees at those postsecondary

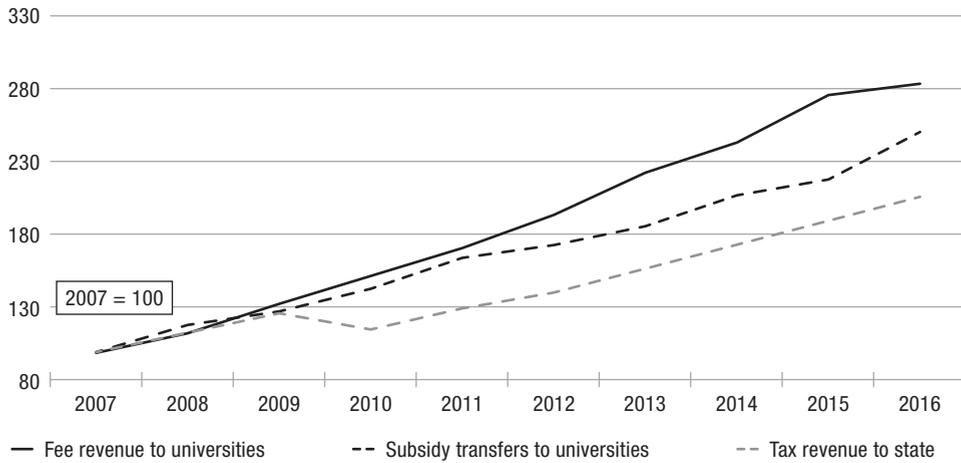
institutions that over time fully evolved into the modern universities of today. However, there were provisions made for some students to attend for free at the discretion of the governor (Cape of Good Hope Ordinance 11 of 1837, cited in van Harte, 2002). In 1922, van Harte (2002) reports, an amendment was passed that set into motion a system that continues today in which charging tuition fees is acceptable, and in which government signals its support of public higher education by providing financial support to it. During apartheid, government did fully fund both the tuition and living costs of students studying for careers deemed to be for the public benefit, for example police officers, nurses and teachers, through direct government allocations or through bursaries directly to the students (van Harte, 2002). All the programmes in this category were offered in the college sector. So, though the dominant thinking regarding higher education funding was that which emphasised private investment, in some cases, where public benefit was deemed to surpass private benefit, government met all the costs of higher education training.

South African individual universities set their own fees, unlike many African countries, for example Tanzania, Mozambique and Uganda, where tuition fees are controlled by government, are often undifferentiated across institutions and programmes, and are frozen. Accordingly, fees at South African universities are differentiated by programmes and institutions. The differences in tuition fee levels between universities, even for similar programmes, can be considerable. Every year, except in 2016 when a freeze on tuition fee increases was implemented, South African universities increase their tuition fee levels. For a long time, students, government and the general public, lamented the high tuition fee increases, but the practice persisted. Universities argued that the tuition fee increases were necessitated by existential needs – to mitigate inadequate public funding and avoid institutional decline. This argument regarding the need to increase tuition fee levels speaks to the balanced budget constraints experienced by universities, whereby their costs must be offset by the sum of tuition fee revenue and non-tuition fee revenue. The gist of this perspective is that tuition fee levels have to be increased whenever costs rise by a larger amount than non-tuition fee revenue (Cheslock & Hughes, 2011).

The continued increase in tuition fee levels resulted in tuition fees becoming the fastest growing source of university income, compared to state funding. Bunting's (2016) analysis (see Figure 2) shows that the growth rate in tuition fee levels not only surpassed that of state funding for universities (subsidy), but also tax revenue to the state. From 2007 to 2009, fees, subsidy and taxes increased at roughly equivalent (and therefore sustainable) rates. However, in 2010, tax revenues declined sharply, but state funding remained relatively stable. From 2011 onwards, despite the country's economic challenges (see Figure 1), fee revenue continued to increase steadily while subsidy slowed down.

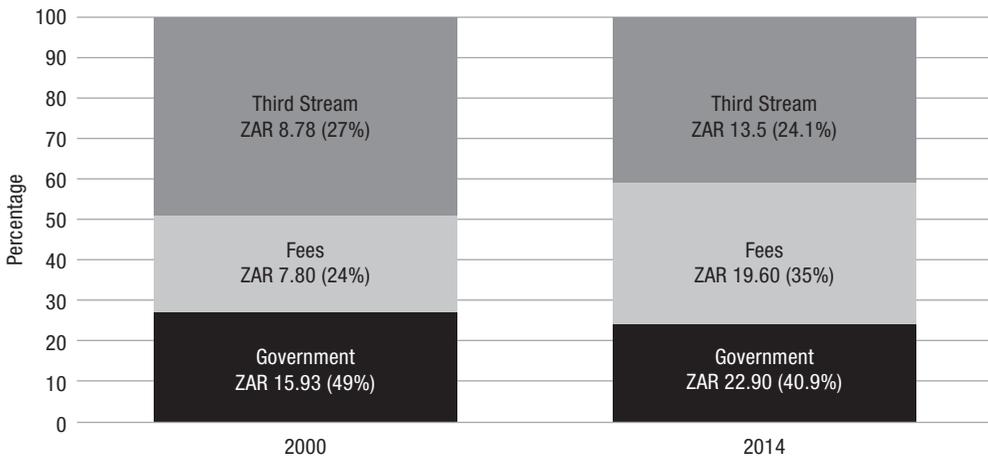
The strong growth in tuition fee levels resulted in tuition fees accounting for a significant proportion of the income of universities. As illustrated in Figure 3 below, from 2000 to 2014, the share of tuition fees in the income of universities increased by 11 percentage points while that of subsidy (state funding) declined by 8.1 percentage points.

Figure 2 Growth in tuition fee revenue, subsidy income, and tax revenue, 2007–2016



Source: Bunting (2016)

Figure 3 University income sources 2000 and 2014 (nation-wide), ZAR billion



Source: DHET (2015)

The increased reliance on tuition fees by universities to mitigate the effects of decreased government investment in higher education, in the context of an ineffectual student financial aid scheme and declining economy, triggered various responses prior to the #FeesMustFall student protests of 2015 and 2016. In 2006, the Minister of Education lamented the high levels of tuition fee increases. In her budget speech to the National Assembly on 19 May 2006 the Minister protested that:

Student tuition fee collections have become a critical resource issue in the higher education sector. Institutions have funded increases in their volumes of activity by raising student tuition fees to 'unreasonably' high levels. In turn this has put pressure on state funding to NSFAS. While fees have doubled over the last five years, the increase in funding to NSFAS has risen by 30 percent. (quoted in Wangenge-Ouma & Cloete, 2008, p. 910)

In the same budget speech, the Minister announced that she was considering the introduction of a mechanism for regulating tuition fees. In 2007, the Department of Education, which then also had responsibility for universities, made the following proposals aimed at regulating tuition fee increases by universities (HESA, 2008):

- a) Placing upper limits on the levels of tuition fees collected by universities;
- b) Determining what shares institutions will receive of the joint block grant and tuition fees totals; and
- c) Requiring universities to keep the sum of their individual tuition charges within the limits of their approved total tuition fee income.

The response by universities to these proposals was both defensive and insular. Universities invoked the principle of institutional autonomy and reminded the DOE that the determination of tuition fees was their (universities') prerogative (HESA, 2008). Further, universities argued that:

- a) They increased tuition fees to mitigate declining state funding and therefore tuition fee regulation, without enhancing state funding, would have a negative impact on educational delivery by universities;
- b) Universities would introduce additional charges that were notionally optional (e.g. notes levies and charges for sports facilities) hence negating the purpose of capping tuition fees; and
- c) Capping tuition fees would have an impact on equity of access since universities, mainly HAUs, utilised some of the revenue generated from tuition fees to finance university bursary schemes. In other words, high tuition fee levels were having a redistributive effect whereby the fees paid by students from well to do families was used to support poor students (HESA, 2008). According to this logic, fee increases did not affect poor students or harm equity since the high charges were offset by bursaries.

However, given the context of declining public funding and the inability by universities to alter public funding in their favour, it can be argued that the response by universities was geared at guaranteeing financial stability. It is generally agreed that, in contexts of uncertainty,

organisations actively seek to create for themselves environments that are better for their interest (Pfeffer & Salancik, 1978).

The response by universities maintained the status quo. As demonstrated in Figure 2, tuition fee levels continued to rise steeply, which created new patterns of dependence – the universities became increasingly dependent on tuition fees (see Figure 3). Unfortunately, the rise in tuition fee levels was not matched by a concomitant rise in financial aid and household incomes, which impacted on the ability of students to pay. As several analyses (DHET, 2010; DHET, 2015; Wangenge-Ouma, 2012a) have shown, many students who qualified for financial aid did not receive funding support from the National Student Financial Aid Scheme (NSFAS). An important point, which South African universities seemed to have failed to consider, is that given the country's history of exclusion and marginalisation of a significant section of society, the expansion in higher education participation rates brought with it cohorts of students who required financial support. Unfortunately, the rapidly rising tuition fee levels were not matched with a concomitant increase in financial aid.

Overall, while the raising of tuition fees may be described as an adaptive response by universities to declining resource support, the #FeesMustFall student protests of 2015 and 2016 demonstrated that the response was out of step with the broader socio-economic contexts in which South African universities are located. The new patterns of resource dependence produced consequences: the significant dependence on tuition fees made the universities vulnerable to shifts in this funding source. In response to the #FeesMustFall student protests in 2015, a decision was taken not to increase fees in 2016, which contributed to a number of universities becoming financially distressed. An analysis by the Council on Higher Education (CHE, 2016) projected that 19 of the 26 universities could have become financially unstable by 2018 if the 0% increase was extended to 2017. In addition, the student protests invited a political and regulatory response, which was hitherto 'impossible'. The non-interventionist policy environment with autonomy to set tuition fees, which universities hitherto enjoyed, came to an end. As already mentioned, in 2016 tuition fees were frozen (0% fee increase) and in 2017 and 2018, increases were capped at 8%. More importantly, despite the presidential Commission of Inquiry into Higher Education and Training (2017) finding that there was 'insufficient financial capacity in the state to provide totally free higher education and training to all who are unable to finance their own education, let alone to all students, whether in need or not...', the government decided in December 2017 that the state would provide free university education for poor and working class students. This decision will have a number of potential implications for universities: (a) given the prevailing circumstances of slow economic growth, which is expected to continue, competing public spending needs and slow growth in tax revenue to the state, it is unlikely that public funding for universities will improve, unless the state increases its borrowing or cuts spending on other priorities; (b) there will be more pressure on tuition fee levels that universities can charge considering that the state will be paying the fees for a significant number of students.

The *de facto* regulation of tuition fees, together with the decision to provide fee-free university education for poor and working class students, has framed the higher education funding challenge in South Africa in terms of affordability and accessibility. The state's actions have placed emphasis on the importance of minimising costs to students and their families, and enhancing the participation of students from poor families. The changes to the higher education cost-sharing model in South Africa illustrate the complex and unpredictable interaction of politics and economics in the making of policy decisions. Despite economists, higher education policy experts, universities, the National Treasury and the presidential Commission of Inquiry into Higher Education and Training warning that South Africa did not have sufficient resources to provide fee-free higher education, a decision was taken to the contrary largely to satisfy political pressure to do something and prevent a possible recurrence of the 2015/16 disruptions.

The South African reality versus global trends

The South African case offers key lessons for understanding the tensions between funding and affordability, which have generated worldwide debates (Carpentier, 2012; Oketch, 2016; Schendel & McCowan, 2016; Wangenge-Ouma, 2012a). Furthermore, the South African context can be informed by these global trends and debates. Although it is difficult to compare and contrast countries with different histories, and impossible to characterise a generic pattern of funding higher education, an overall global trend in the funding of higher education can be discerned, with varied impacts across various national settings. We take seriously Cowen's warning about the circulation of ideas, policy and initiatives in education when he argues 'as its moves, it morphs' (2009, p. 315). It goads us to base our understanding of these debates contextually, to reflect on the variety of economic, social, political, and cultural factors that explain the connections and tensions between expansion, affordability, and funding of higher education in specific settings. The following looks at several global trends in relation to South Africa.

First, the key debates and tensions regarding funding higher education should be understood as the result of a historical trend with an increase of public funding in higher education after the Second World War, followed by a decrease after the crisis of the 1970s (Carpentier, 2012). These post-1970s trends should be seen as part of a wider retreat of state spending associated with, among others, a shift of most economies towards a low taxation agenda (Piketty, 2014). Higher education debates are thus part of wider debates on the funding of the social sphere, which did not start with the post-2008 global economic downturn, but with the crisis of the 1970s (Carpentier, 2015). The South African case confirms the acceleration of the policy of public austerity observed in other countries.

Secondly, this retreat of public funding is connected to another key historical trend, which is the increase of private funding in higher education and especially tuition fees, which started in the 1980s (Carpentier, 2012; Wangenge-Ouma, 2008, 2018). This development has been

driven by a variety of rationales, ranging from a pure neoliberal marketisation agenda to a more or less moderate version of what came to be defined as cost-sharing (Carpentier, 2018). The principle of cost-sharing is based on the idea that students and their families should, in the name of equity and sustainability, contribute to the cost of their studies alongside the state (Johnstone, 2004). The impact of the various models of cost-sharing is widely debated. Those models differ according to the types of fees, and financial mechanisms in place to support students. Fees can be upfront or deferred, uniform or variable, paid by grants, loans or graduate tax. Loans can be commercial as in the USA, or backed by the government as in England. A number of university systems are still free, while others, for example South Africa, have decided to move to free education for a particular segment of students, or are considering reducing the tuition fee levels (England).

Thirdly, the implication of cost-sharing differs according to its design and the contexts, and depends on the links between the public and private dynamics of funding and especially whether private funding is additional or substitutive (Carpentier, 2012, 2018). In some countries, cost-sharing started in a period of higher economic growth during which the rise in fees coincided with relatively slow but still resilient public spending. The post-2008 world has led to a change of context where the acceleration of tuition fees has coincided with a sharp decline in public funding, leading to a shift in the main driver of cost-sharing – from generating additional resources to public/private substitution in the USA and England (Carpentier, 2018). The diminution of spending per capita after 2008 observed in Table 1 confirms this trend in the South African context where substitution seems to have clashed with expansion.

Fourthly, the impact of those changes in the trends and structure of funding higher education have implications for access and equity. At the same time, it is key to acknowledge inequalities at the society and school levels, as well as the intersection of socio-economic background with other forms of inequality such as gender, race and ethnicity (Burke, 2012; Morley & Lugg, 2009; Wangenge-Ouma, 2012a). For example, the trends towards public/private substitution have produced a shift in cost-sharing policies where the rising fees are increasingly funded by loans rather than grants (Carpentier, 2012). Since the 2008 crisis – which has been described as a crisis of inequalities (Stiglitz, 2012) – this shift has been connected to the question of student debt. This raises not only equity issues, as debt aversion has been shown to be connected to social class (Callender & Mason, 2017), but also systemic issues regarding the sustainability of the funding of higher education. The current debates and policy changes in South Africa are at the heart of these trends with key tensions between the level of fees, grants and student debt.

The consequence of public private substitution on increased institutional stratification (Carpentier, 2018) and the question of the funding of the public good are also important to consider (Lebeau, Stumpf, Brown, Lucchesi, & Kwiek, 2012; Marginson, 2011). A key question raised in this paper is the contingency across space and time. The effect of cost-sharing in one particular time might be different from another. Moreover, the consequences of cost-sharing might be different according to the level of socio-economic development and

stage of development of the higher education system of a country. This is probably why there has been a backlash in many countries, including South Africa.

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