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# BLSA Newsletter



## Guest Contributions

*Higher education policy challenges*

*It isn't enough for education to be free*

***Dr Martin Gustafsson, University of Stellenbosch Department of Economics***

I recall a prominent person from organised business declaring some years back at a meeting that the business sector in South Africa had essentially withdrawn from the education policy discourse to avoid conflict with government. Instead, the sector had turned its attention to easier, less controversial areas of involvement, such as partnerships with individual education institutions and bursaries for promising students. This is not a good approach. Smaller projects can make a difference, but policy matters and it is something to which business should pay more attention. Business is well placed to provide policy advice in areas where it is strong: unit costs, cost-effectiveness, trade-offs between priorities and efficient management.

What are some of the difficult policy questions in what has recently become a volatile higher education sector?

Low public spending on higher education has been in the spotlight. This spending comes to 0.6% of GDP, compared to around 1.1% for comparable countries. The problem relates more to low student numbers than low spending per student. If we use countries at South Africa's level of development as our benchmark, UNESCO education statistics suggest that our public spending per student should be 12% higher, while the number of students should increase by 30%. Current pressures to spend more per student are justified, but this should not be allowed to slow down the growth we have been seeing in enrolments.

Of course growing the sector is not just about enrolling more students, but also about a higher ratio of graduates to enrolments. What in South Africa is referred to as low 'throughput rates' – essentially high levels of dropping out and repetition – are commonly considered a core problem. We would be in a better position to respond to this problem if we understood it better.

Low throughput rates are not a peculiarly South African phenomenon. Similar patterns are found in many countries, which

***Dr Felicity Coughlan, Director of the Independent Institute of Education***

The South African economy and society require a well-functioning public school education system if we are to reduce the inequality of education outcomes and increase access to tertiary education. Everything possible has to be done to ensure that those parts of this sector that are sub optimal are addressed. We know that schools fail to function first and foremost due to a lack of good leadership. Everything follows from this. Without good leadership everything from teaching and learning, relationships with parents, pupil discipline and school infrastructure falters. Increasing school funding alone does little to counter the impact of poor leadership.

Many initiatives, such as the National Education Collaboration Trust (NECT), draw on the skills, experience and resources of the private and NGO sector to work with government to improve leadership and schools. It focusses on six areas: courageous leadership, professionalising teaching, government capacity, education resourcing, involving parents and communities and supporting learners. NECT aims at making structural improvements that benefit the whole learning community. Initiatives like NECT must be supported – not only financially but most importantly with the political and social backing required for fundamental change. This public-private initiative is the most encouraging one we have seen in the education sector for some time and demonstrates what is possible when public and private sector and NGOs join forces. If we are able to support initiatives such as NECT, with genuine change at a systemic level we can bridge the quality gap between many state and private schools. If the two sectors work together we will have a mutual reinforcing of the education system with quality options for all South Africans.

Without a determined intervention, poverty, inequality and a lack of education become heritable conditions replicated from generation to generation. One such intervention is to make free education for the poor a national imperative. We simply have too large a wealth gap to wait for poor people to be able to afford their education. The role

suggests that shifting the numbers is not easy. An Organisation for Economic Co-operation and Development (OECD) report on dropping out at tertiary level indicates that around 53% of students enrolling for a degree in the United States do not attain the degree. The Council for Higher Education has found the figure to be a rather similar 55% in South Africa. For the OECD as a whole, however, the figure is a better 31%. My own analysis of household data suggests that the ratio of degrees obtained per year to the number of full-time equivalent students, the graduation rate is around 1:7 for South Africa and Brazil.

So what are the circumstances of around half of our university students who do not complete a degree? It is difficult to obtain an overall picture. Sample-based household surveys, such as Stats SA's Labour Force Survey are of limited use partly because the students in question are a small percentage of the population, and because there are no questions relating to tertiary-level dropping out. Longitudinal surveys conducted by universities or faculties can tell us a bit, though they do not provide a national picture. By far the most commonly cited reason for dropping out is financial constraints. However, students' academic results and their ability to find funding are closely linked. If their results are poor, it is more difficult to renew funding. Yet the data we have indicates that the tragedy of academically well-performing students who drop out mainly due to funding reasons is substantial. It is a tragedy for the individual, but also for the country's development, given the skills shortfall in the labour market, and it is bad for the attainment of workplace equity targets.

The OECD report warns against an all-or-nothing approach of classifying all drop-outs as failures and a manifestation of wasted effort. Even an incomplete university education is likely to improve an individual's wage prospects and productivity in the workplace. It is in the interests of business to advocate for and fund more rigorous research on, for instance, the relationship between wages and the actual range of higher education outcomes which includes non-completed graduates.

education plays in economic and social transformation makes it imperative to find a way to provide higher education to poor students at no upfront cost to them.

The effectiveness and efficiency of the funding mechanisms are equally non-negotiable. The National Student Financial Aid Scheme, which provides loans and bursaries to poor students, simply has to work properly. It must recover its loans from working graduates to fund the next generation of students and create a sustainable social escalator. And institutions need to be accountable for the money they get. The reduction in state subsidies for universities must also be addressed. It is not enough to say that, because of massification, the reduction in university funding in real terms was inevitable. The state is required to fund universities at a level that makes fees affordable for more students. Where funding declines it excludes poorer students and reduces all students' rates of academic success.

So the increased strain on higher education is about more than just rising enrolment numbers, it is also about the higher proportion of underprivileged students who don't graduate. A free education which is never completed is a colossal waste of money and talent. Simply subsidising up to 100% of the current needs of students who cannot pay will not address all our problems. Free education will also have to support the type of education that gives students a reasonable chance at success and must include the sort of additional support outlined in the Council on Higher Education's review of the undergraduate curriculum.

I don't think we have any option other than free education for the poor. What really matters is whether we regard this simply as a money issue (more money to universities for these students), or whether we appreciate the full systemic implications of improved educational outcomes (and associated accountability).

Quality is a systemic issue and thus needs to be addressed across all the societal levels that impact on it – this includes the political and social structures that influence action and decisions. At schools level,

The policy debates should be informed by accurate estimates, which exist, of the graduate unemployment rate. This rate is relatively low, and lower than what is suggested by some figures which have been quoted, including figures from an inaccurate January 2012 article in *The Economist*.

An unfortunate blind spot in our strategies for expanding the university sector is the lack of attention paid to the role of private universities. Countries such as China and Brazil, which have expanded their university enrolments even faster than South Africa, have succeeded in doing so partly through carefully thought out policies governing the emergence of more private universities. Such universities need not be elite relative to public universities, and there are ways of dealing with the risk of sub-standard educational quality offered by unscrupulous institutions.

Brazil's strategy for combatting low-quality private universities and poor quality higher education at public institutions, is unusual and fascinating. Final year undergraduate students must write, apart from examinations set by the university, a short discipline-specific nationally standardised test which allows the national authorities to gauge which universities are clearly not teaching their students the basics. Moreover, aggregate test results are publicly available, putting students and their families in a more informed position when they select a university. Marcelo Rezende, in an article in *Economics of Education Review*, argued that the system has helped universities to focus on producing quality graduates.

Two institutions other than the universities are critical for building a better higher education system. Problems in the National Student Financial Aid Scheme are at the core of the 2015 unrest in the sector. The recommendations of the official 2010 review report remain relevant today. Secondly, without further educational quality improvements in the schooling system, the expansion of universities will be difficult. The National Development Plan's key strategy for improving schools, paying attention to school principals – specifically their hiring, functions, remuneration and performance

the NECT works because it is collaborative and tests a model of cooperation between school districts, schools, provincial and national authorities and the private sector. It is powerful because it takes best practise and well-researched solutions and implements them with adequate support at a local level. We should allow this approach to take hold at every level. Funding needs are partly a factor of the efficiency and effectiveness of spending. So student and pupil performance, and the responsible use of earlier funding must form part of the decision-making criteria to allocate new funding.

But what else can the private sector do? Business can play an important role in developing students and young graduates. Initiatives such as the youth wage subsidy and any other process that makes it easy for businesses to give students and young graduates their first position which is critical to the development of skills, behaviours and networks that enable sustained employment and successful careers should be encouraged. Other activities such as mentoring, guest lecturing and involvement in “work integrated learning” for students are very important. But none of these will really make a material difference unless businesses find that these contributions are not too burdensome or made overly bureaucratic.

A question now being asked in many quarters is this: is the private sector doing enough to address the country's skills shortage? Perhaps this can only be answered in conjunction with the question: is the government doing enough? The skills deficit in the country indicates that skills development is a major problem – it is very unlikely it can be solved by more action on the part of either the public or the private sector acting alone. The private sector will invest in skills development (because it is dependent on skilled labour) if it makes sense to do so. But when it is very difficult to assist or our involvement is undermined, precluded, or made administratively complex the incentive to invest is virtually eliminated. The best solution therefore is one in which the needs of the student gaining the skills, the private sector employer and the government are all met and this is best done through partnership, cooperation and enabling legislation and regulation.

contracts – is a sensible one.

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