

CHE COLLOQUIUM: 10 YEARS OF DEMOCRACY AND HE CHANGE

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10 YEARS OF HE CHANGE: INSTRUMENTS AND STRATEGIES IN RELATION TO THE CONTEXT AND GOALS OF TRANSFORMATION - RETROSPECTS AND PROSPECTS – 11 NOVEMBER 2004

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Conference Chair, honoured colleagues and guests:

I wish to concentrate on funding instruments and strategies during the past 10 years in relation to HE transformational goals. My short talk will have the following parts to it:

- i) What were our HE funding goals since 1994 and what were to be the instruments to be used?
 - ii) Have we been successful i e – have we achieved what we set out to do?
 - iii) What does the future hold for us in HE in terms of funding?
- i) **What were our HE funding goals since 1994 and what were the instruments to be used?**

HE funding goals were subject to a series of revisions and refinements starting with the NCHE Report of 1996, the HE White Paper of 1997, the National Plan on HE of 2000 and the new HE Funding Framework of 2000. Rather than analysing each of these policy developments seriatim, I'm simply going to try and give an overall view of the main funding goals arising from aggregating these policy pronouncements.

- a) Importantly, HE funding was aimed to be **goal oriented** in the sense of specifically supporting the achievement of other HE goals and objectives. This required a reasonable amount of clarity and finalisation of these other HE goals before a supporting HE funding policy could be finalised.
- b) HE funding should reflect a broad **pro-active and integrated prioritisation of needs by government** rather than merely respond to often disparate and individualistic choices of potential students. This prioritisation of needs by government would seek to enhance the relevance and responsiveness of HE institutions in producing graduates required for sustained socio-economic change and growth. In essence it meant the end of the SAPSE system's basis that students make informed and rational choices in selecting to enter HE and in which field to study, and that government then responded by paying the bill.

Government would now pro-actively determine the size and nature of the HE bill it was willing to pay and expected students to shape their decisions based on this prioritisation. This goal was to be achieved by basing the new HE Funding system on a so-called HE planning approach which would seek to synchronise numbers of students with the various knowledge areas in which institutions would be operating. Enrolment planning and the so-called 'programme-qualification mix' approach were the main instruments of this planning approach.

- c) HE education funding should support **the broad HE transformational agenda** and recognise differences in the capacities of institutions to respond aggressively to a changing national and international HE environment. This meant that HE funding should support changes in institutional student and staff compositions in terms of race and gender, should support increased equity in teaching and research outputs, and through forms of redress funding contribute to levelling the institutional playing fields significantly. A further transformational goal was to support an **increased and more equitable HE participation rate** through widening access and increasing admissions for those who in the apartheid era experienced hindrances and difficulties in this regard. This set of transformational goals were to be achieved through a mix of incentive based funding in the new funding framework and through specific earmarked funding, including forms of redress funding based on specific redress project proposals and earmarked funds for academic development programmes, as well as through a marked increase in funds available for financial aid for students.
- d) HE funding was also intended to support achieving **greater teaching and research outputs**. These increases were to be accompanied by greater race and gender equity in the delivery of outputs, and by reducing unfavourable input/output ratios through achieving **greater levels of efficiency and effectiveness**. This was to be achieved through incentive funding in the new funding framework and by targeted earmarked funding.

ii) **Have we achieved what we set out to do?**

In this section, I would like to briefly analyse whether we've achieved our broad funding goals and whether the instruments applied in doing so are working or not.

- a) Have we now got a genuine **goal oriented set of funding policies**? The answer is probably: Yes AND no. The reason for this ambivalence is that we as yet, do not have a new academic policy for public HE. Supporting the goals of such an academic policy would be an important facet of any goal oriented funding. In addition other policies such as those surrounding international students still need tightening up. Nevertheless, in many other respects we do have a goal oriented funding framework. This will become apparent in the remainder of this analysis.

- b) Do our funding policies now support an approach of government indicating for what in HE and how much it is willing to pay? Put differently: Do we now have a funding system which supports funding a **set of prioritised public needs** to which HE can contribute through its functions of teaching and research?

The proper achievement of such a goal would have had to result in an excessive and centralised person power planning approach which would have involved government far too deeply in the operational decision making of institutions. The present PQM approach, based on very broad knowledge categories dating from the 80s, is far too blunt and aggregate an approach to truly achieve the above stated goal. In any event the so-called CESM category system is in dire need of overhaul and its classification basis is outdated. Furthermore, the present enrolment capping exercise of the DoE is a very broad based capping exercise which only very loosely links up to enrolments in particular CESM categories. Having said this, it is probably just as well that, strictly speaking, this goal has proved beyond us as its achievement would have required considerably greater inroads into institutional autonomy than is already the case. What then have we achieved? The PQM exercise has certainly forced institutions to take stock of their academic programmes and engage in serious forward looking academic planning. It has also brought about a certain element of order nationally and has constituted some sort of context against which applications for the introduction of new academic programmes can be assessed. The intended introduction of capping enrolments will mean that the total amount available for government subsidies will be distributed according to fairer rules than before. Institutions growing inordinately much will not be able to increase their subsidy unduly at the expense of institutions growing only very moderately. Enrolment capping should also lead to a better matching of increasing numbers of students and additional resource and services provision in institutions. Such better matching should, in turn, improve the quality of services rendered to students.

All in all, the greater emphasis on planning, both nationally and institutionally is to be welcomed. What is of grave concern, however, is that institutions have found it very difficult indeed to do financial planning in terms of the new funding framework due to the DoE's seeming unwillingness to make known all the relevant parameter values. This is not in the interest of good institutional management.

- c) Have our funding policies and instruments supported the broad **HE transformational agenda** of government? Various analyses of HE enrolments clearly show an average annual growth rate of 7% for African students during the past 10 years compared to only 2% for White students. The HE participation rate is now estimated to be about 18%. This is already near to the 20% set by the National Plan on HE for achieving by the end of the next decade only. However, the increase in enrolments from African students cannot be ascribed to the new funding framework as that was only implemented in 2004. The rapid expansion of the NSFAS and its rules

favouring financial aid to institutions with larger numbers of black students must have contributed to the changes in student profiles at our HE institutions. The new funding framework contains a specific incentive to enrol larger numbers of African and Coloured South African students but the effects of this provision have still to be seen.

At this stage no funding instruments have been developed to advance greater levels of staff equity in our institutions. Similarly, at this stage no specific instruments have been designed to achieve greater equity in teaching and research outputs. This is set to change in two to three years time when, in terms of the new funding framework, any teaching and research surplus funds will have to be accessed for purposes of teaching and research development on the basis of proposals submitted by institutions. Redress funding, somehow never seems to have featured very prominently in this mix of funding instruments except if the awards made recently for 2004-2006 for foundation programmes be regarded as such. These awards, although not representing any funds additional to the HE budget and thus amounting to nothing more than an internal HE budget re-prioritisation, will go a long way towards dealing with the poor levels of school preparedness of many of our students. In so doing greater equity in teaching outputs in the form of graduated students will be achieved in the longer run.

Overall – the achievement of these transformational goals thus seems to have occurred only in part due to specific funding policies.

- d) Finally, have we achieved **greater research and teaching outputs** and have we done so by becoming more **efficient** and operating more **effectively**? During the period 2000-2003 FTE enrolments in HE increased by 34% during while FTE instruction/research staff numbers only increased by 4%. In this period degree credits increased by only 14% while lecturer/student ratios deteriorated from 33:1 to nearly 42:1. Research outputs in the form of accredited journal articles for universities remained fairly constant between 1994 and 2000 while those for technikons increased slightly during this period. No compelling evidence thus seems to exist supporting an improvement in teaching and research outputs- in fact if anything, HE's performance may even have become relatively worse. This is very worrisome indeed and calls for some serious analysis of HE's accepted business practices.

The new funding framework's impact on increasing research and teaching outputs is still to be seen and will in all likelihood only begin to have an effect from 2007 onwards due to the automatic distribution of the teaching and research output surpluses to institutions showing an output shortfall coming to an end in 2006. No compelling evidence exists to point to material efficiency and effectiveness gains in HE although many institutions are now serving more students with relatively less money – the crucial question is of course whether quality has been maintained or compromised?

iii) **What does the future hold for us here in South African in terms of HE funding?**

Those of us who are becoming increasingly pessimistic about government's ability to fund HE at the required levels to sustain minimum quality levels, should not feel alone. Worldwide HE institutions are feeling a real squeeze as government subsidies assume an ever decreasing proportion of total income of institutions. In the USA many institutions now receive less than 20% from federal funds, others have had salary increase freezes of up to 3 years, while in others there have been staff lay offs. In the UK the introduction of top up fees was an ill disguised attempt by government to allow institutions to make up for declining public subsidies. In Europe free education only exists in name and students are being required to pay more and more for HE educational services which previously were covered by public subsidies.

In SA the so-called a –value showed a consistent decline from 1987 to 2003 and indicates a significant decline in government subsidies for a growing HE system. In 2003 HE institutions were, on the average, meeting about 50% of their costs from sources other than government subsidies, compared to about 30% in 1987. During the same period the HE budget's share of the total government budget declined from 3,03% to 2,58% while the HE budget's share of GDP declined from 0,86% in 1987 to 0,72% in 2003.

We are not likely to see a reversal in these trends – if anything, the decline in government support for HE is likely to become even more pronounced. What is to be done?

Internationally, HE institutions have responded by increasing tuition fees, especially in those countries with a low tuition fee income and by aggressively chasing after increased 3rd stream income- becoming more entrepreneurial and more market and commercially orientated. Both these responses are not without potentially crippling long term consequences for the nature and character of HE. Increasing tuition fees in SA undoubtedly will affect goals concerning access for poor students adversely unless the funds at the disposal of the NSFAS can be increased appreciably. 21 HE institutions chasing the market for increased 3rd stream income in an economy which has only been growing at between 2-3% per annum, hardly seems a prospect to be welcomed.

What then is our future? Simply put: We will all be endeavouring to meet public policies, which we all support, while coping with decreasing levels of public funding. This means that we can only hope to meet these public policy goals by increasing our shares of private income – in so doing – we are all destined to becoming less 'public' and more 'private'. As we become more 'private' we'll hopefully generate the resources to pursue worthwhile public policy goals. Somehow this seems all wrong – becoming more 'private' so that we can become more 'public', but that's how it will be.

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