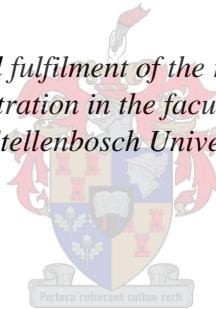


An Evaluation of the New Funding Model for Further Education and Training Colleges and its Financial Implications

by

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*Thesis presented in partial fulfilment of the requirements for the degree
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DECLARATION

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ABSTRACT

This research study is an investigation into the new funding model of three public Further Education and Training (FET) colleges in KwaZulu-Natal Province. The study aims to understand the extent of the effectiveness of this funding model in the different colleges.

Most governments worldwide view education as a central contributor to the economic development of a country and ultimately to its prosperity. It is for this reason that education is considered a national investment. Therefore, in South Africa, the largest portion of government budget is allocated to education, including FET colleges. FET colleges are supposed to contribute to academic and skills development and training. This study evaluates whether government funding to public FET colleges is effective for this skills development and training. I have used Public Finance Management Theory to discuss the contractual relationship between government and FET colleges that is crucial to managing public money in this regard.

The methodology used is a mixed-method approach, which is largely qualitative but also uses descriptive statistics in quantitative inquiry. The specific instruments used are structured questionnaires and an analysis of institutional financial documents.

The significant finding was that a disproportionate amount of money is spent on personnel salaries and less on students or infrastructure. This means that the new funding model is failing the FET system of education. Importantly, this study establishes that there is a need to engage in partnerships with the private sector as an alternative funding source. It believes that an alternative funding model, particularly in partnership with the private sector, is sustainable and therefore recommends that FET colleges pursue this model alongside government funding.

OPSOMMING

Hierdie navorsingswerk behels 'n ondersoek na die nuwe befondsingsmodel van drie openbare Verdere Onderwys en Opleiding (VOO) kolleges in die KwaZulu-Natal Provinsie. Die navorsing het ten doel om die omvang van doeltreffendheid van die befondsingsmodel in die verskillende kolleges vas te stel.

Die meeste regerings wêreldwyd beskou onderwys as 'n sentrale bydraer tot die ekonomiese ontwikkeling van 'n land en uiteindelik van sy voorspoed. Dit is om hierdie rede dat onderwys as a nasionale belegging beskou word. Die grootste deel van die regering se begroting word dus aan onderwys toegeken, insluitende VOO-kolleges. VOO-kolleges is veronderstel om by te dra tot akademiese-, en vaardigheidsontwikkeling en opleiding. Hierdie navorsing evalueer of die regering se befondsing aan openbare VOO's effektief is met betrekking tot die ontwikkeling van vaaardighede en opleiding.

Die metodologie wat gebruik is, het bestaan uit 'n gemengde-metode-benadering wat hoofsaaklik kwalitatief was, maar ook gebruik gemaak het van beskrywende statistiek in 'n kwantitatiewe ondersoek. Daar is gebruik gemaak van spesifieke instrumente, naamlik gestruktureerde vraelyste en 'n ontleding van institusionele finansiële dokumente.

Die vernaamste bevinding was dat 'n bedrag van die fondse wat aan personeel-salarisse bestee word buite verhouding is tot die kleiner bedrag wat aan studente en infrastruktuur bestee word. Dit beteken dat die nuwe befondsingmodel die VOO-stelsel van onderwys in die steek laat. Dit is belangrik dat hierdie navorsing bevind het dat daar 'n behoefte bestaan om 'n vennootskap te sluit met die privaatsektor as 'n alternatiewe befondsingsbron. Dit veronderstel dat 'n alternatiewe befondsingsmodel, veral in samewerking met die privaatsektor, volhoubaar is en derhalwe word aanbeveel dat VOO-kolleges dit naas regeringsbefondsing najaag.

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ACRONYMS

ANC	African National Congress
ASGISA	Accelerated Shared Growth Initiatives for South Africa
CAPEX	Capital Expenditure
COSATU	Congress of South African Trade Unions
DHET	Department of Higher Education and Training
DA	Democratic Alliance
DoE	Department of Education
DoL	Department of Labour
FET	Further Education and Training
FTEs	Full-time equivalents
GDP	Gross Domestic Product
HIV/AIDS	Human immunodeficiency virus infection/acquired immune-deficiency syndrome
HRDS-SA	Human Resource Development Strategy for South Africa
JIPSA	Joint Initiative for Priority Skills Acquisition
KZN	KwaZulu-Natal
NCFE	National Committee on Further Education
NDP	National Development Plan
NSF	National Science Foundation
NSS	National Skills Strategy
NSFAS	National Student Financial Aid Scheme
NC(V)	National Certificate (Vocational)
NQF	National Qualifications Framework
OHS	Occupational Health and Safety
PFM	Public Finance Management
PTC	Political Transaction Cost
SETA	Sector Education and Training Authorities
SNE	Special Needs Education

TCT	Transaction Cost Theory
TVET	Technical Vocation Education and Training
UK	United Kingdom
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNEVOC	International Centre for Technical and Vocational Education and Training

CHAPTER 1: INTRODUCTION

1.1 Introduction

This research project seeks to evaluate the new funding model for Further Education and Training Colleges (FET) in South Africa and the financial implications of these institutions. In general, governments have always provided funding for vocational education and training, but it is becoming increasingly evident that this model of funding is inadequate to cater for educational needs. This study investigates this question of funding models by considering a sample of three FET colleges in KwaZulu-Natal Province (KZN).

1.2. Background and Rationale to the Study

Since the advent of democracy in South Africa in 1994, the country has undergone social, economic and political challenges. However, these challenges are not unique to South Africa. They are also global phenomena, especially in the third world. Consequently, the majority of third-world countries are grappling with similar issues relating to political instability and socio-economic pressures. Countries around the world are trying to improve their socio-economic conditions in order to better the lives of their citizens. In the third world, where governments often face budgetary deficits, it can be a struggle to allocate scarce resources to various national needs.

African countries are particularly poverty-stricken and South Africa has consequently not been shielded from economic and social problems. For economic emancipation to have any meaningful outcome for the African people, and indeed for the South African people, the following aspects should be addressed:

- a) Political stability: Governments should put policies in place that embrace and enhance peace for economic development. Where there is peace, scarce resources can be allocated to developmental purposes, rather than war.
- b) Micro- and macro-stability: Among other things, economic prosperity guarantees low inflation, balanced fiscal policies and a healthy national budget

- i.e. economic milestones necessary for sustaining economic growth (Alweendo, 2007:3).
- c) Education: This is an important contributor to economic growth in many ways, but chiefly because it leads to the creation of knowledge and innovation. Education is therefore necessary for economic growth and economic emancipation, as it creates knowledge, skills and ultimately human capital.

Although the situation in South Africa is not as bad as that of other African nation-states, South Africa is still faced with its own unique set of social ills, such as mass poverty, an ever-increasing gap between the rich and the poor, high illiteracy rates, and the HIV/AIDS scourge. These social ills undermine the growth and prosperity of the country. Some of these problems have their roots firmly entrenched in the apartheid system, for instance the education system, which requires urgent redress.

The apartheid education system was fragmented and inequitable (Kallaway, 2002:117; Hartshorne, 1992:343; Kallaway, 1984:124). While it was unjust to black majority groups, it favoured the white minority who were privileged in every respect. Unfortunately, the effects of the apartheid system continue to disadvantage the majority of the South African population, twenty-one years after gaining political independence. Angelis et al. (2001:26) observes that, “while political freedom was the most visible mainstay of the struggle for freedom from apartheid, issues such as educational, social and economic equality and development, which are inherently political, were central drivers of the struggle”.

South Africa may have attained political independence and freedom, but real freedom comes with education and economic prosperity, which, under the current circumstances, remain elusive, given the many riots for services and decent wages (Karamoko, 2011). The above issues also affect the education system. Therefore, it is not difficult to see the challenges faced by FET colleges in fulfilling their mandate to develop economic and social freedoms. The root of this problem lay in the apartheid education system that was fragmented, uncoordinated and favoured whites against other races – especially the black race (Kallaway, 2002: 119). Indeed, the post-apartheid South African government inherited an education system that evinced huge disparities in terms of quality of education, funding, distribution of teaching and learning

resources, the lack of teachers, and physical infrastructure, especially in deep rural areas (Kallaway, 1984:74). These challenges spanned the country's entire education system, including the Further Education and Training college (FET) sector, which is the focus of this study.

In 1998, the FET Act 98 was promulgated. This process began with the birth of the Green Paper on FET, followed by the White Paper, the Bill and finally the FET Act. The entire process was the culmination of a very lengthy consultative process that started with the appointment of the National Committee on Further Education (NCFE) in 1996. The NCFE produced a comprehensive report that was released at the end of 1997. This report provided a structured legislative framework for the development of the FET Act 98 of 1998. The FET Act had to ensure that it captured the essence of the Green Paper on FET, which stated that, "while FET policy and planning must take cognisance of the inescapable realities of globalization; it must ensure at the same time that local needs and priorities shape our interaction with the global economy, through the implementation of equitable, relevant and effective human resource development" (Department of Education, 1998: 14).

The policy and legislative changes in FET were the consequence of recognition by government that FET colleges are at the centre of education, national socio-economic change, and development. This government initiative illustrated the urgency of a new order in the establishment and running of these institutions. The country witnessed a major change in the FET college sector when 150 technical colleges were merged into only 50 FET colleges in 2001 (Department of Education, 2008: 8).

The government's intention was to make these institutions more responsive towards the country's human resource development needs. In the interim, the merger process posed many strategic as well as operational challenges to the newly formed institutions. One of the major afflictions to these colleges was the lack of a funding model. This resulted in poor resourcing and subsequently the failure of the strategic goals and objectives of both the colleges and the government with respect to policy and planning.

In 2005, an investment of R1.9 billion was made available by cabinet to recapitalise the FET colleges (Pandor, 2008). The ring-fenced grant had seven underlying strategic

objectives with the objective to transform FET colleges into more responsive institutions. The seven strategic objectives were:

- 1) The purchase of new buildings.
- 2) The refurbishment of old buildings.
- 3) The upgrading of college sites.
- 4) The purchase of machinery and equipment.
- 5) The purchase of systems and connectivity.
- 6) The purchase of software and other sundries.
- 7) Human resource development.

Table 1.1 illustrates the financial situation in KZN FET colleges before the implementation of the new funding model. The 2012/13 budget for the KZN FET colleges depicts a shortfall of R201 528 971, which indicates severe financial constraints. Cash injections into these institutions proved to be inadequate, as most of the FETs were unable to complete all their recapitalisation projects. This indicated that skills development could not be the sole responsibility of the education department. It became clear that there was a need for much broader participation by all relevant stakeholders, including the private sector. Angelis et al. (2001) agree that an integrated approach by various government departments in concert with the labour department and the private sector is a vital factor in the reformation and further development of the FET sector. To this end, government has developed an integrated Skills Development Strategy.

In 2005, the National Skills Strategy (NSS) was announced. It was aimed at specific outcomes in the FET sector for addressing the skills shortage in the country. This was followed by the establishment of the Accelerated Shared Growth Initiative for South Africa (ASGI-SA) and the Joint Initiative for Priority Skills Acquisition (JIPSA) in 2006 (Department of Education, 2008). This resulted in a change in the FET colleges' curricula from Report 191 or NATED programmes (N1-N6) to National Certificate (Vocational), which is at the heart of the NQF in the FET band, constituting levels 2 to 4 on the NQF. This initiative was intended to make FET colleges responsive and flexible to other government initiatives such as ASGISA and JIPSA that sought to address the human resource, economic and developmental needs of the country.

Subsequently, the FET College Act 16 of 2006 was promulgated and the NSFAS for FET college students to address issues of equity and access was announced.

NAME OF FET COLLEGE	NC(V) FTES	NC(V) Prog. Costs	NATED Prog. FTES	NATED Prog. Costs	SNE	Additional Costs for SNE	Total Prog. Cost Required
COASTAL KZN	6 061	179 406 949	3 847	44 936 725	21	315 000	224 658 674
ELANGENI	3 009	88 118 494	1 000	11 715 401	0	0	99 833 895
ESAYIDI	2 267	63 567 606	2 926	34 305 304	0	0	97 872 910
MAJUBA	4 427	143 903 825	4 481	52 379 433	0	0	196 283 258
MNAMBITHI	1 800	43 646 931	1 075	12 601 344	0	0	56 248 275
MTHASHANA	1 030	30 866 857	1 324	15 506 558	0	0	46 373 415
THEKWINI	1 403	37 999 879	2 180	25 521 183	372	5 975 000	69 496 062
UMFOLOZI	2 783	87 255 235	1 575	18 425 486	0	0	105 680 721
UMGUNGUNDLOVU	1 123	32 809 635	2 815	32 965 124	8	130 000	65 904 759
TOTAL	23 903	R707 575 413	21 222	R248 356 558	401	R6 420 000	R962 351 971
Total budget available in programme 5						R760 823 000	
Total Budget Shortfall						R201 528 971	

Table 1 : The 2012/13 budget for the KZN FET colleges (Source: KZN Department of Education: FET Directorate)

All these challenges meant that public FET colleges had to function in a new landscape with a specific mandate to provide learners with quality education and training as well as equip them with the necessary skills to address the shortage of critical skills in the country.

In 2009, FET colleges found themselves in a new setting that brought together the Department of Higher Education and Training, universities, universities of technology, Sector Education and Training Authorities (SETAs), and Adult Education and Training. The new Ministry of Higher Education and Training sought to create a seamless education system that was geared towards addressing the training and development needs of the country. It can be argued that this initiative would only have been possible if government addressed the issue of funding that was hitherto uneven and distorted.

This new landscape of the FET colleges prompted government to come up with some new interventions to help colleges fulfil their mandate. One such intervention was the review of the norms and standards for funding FET colleges that allowed for adequate funding to meet both their operational as well as strategic goals in line with the country's national imperatives. This process led to the birth of the Government Gazette No. 32010 that relates to the National Norms and Standards for Funding Further Education and Training Colleges (henceforth referred to as the Funding Model for FET Colleges). Consequently, the Minister of Education was required to determine norms and standards for the funding of the public Further Education and Training colleges to ensure that issues of access, equity, redress and responsiveness were addressed. This South African approach is similar to that of other developing countries such as Ethiopia where similar challenges have been addressed by the introduction of the three 'P's (poverty, performance and partnership) and the three 'E's (equity, efficiency and effectiveness).

1.3 Focus of the Study

This thesis argues that, while the government has put some measures in place to deal with issues of funding for the FET colleges, there might still be some potential gaps in the new funding model that needs to be identified. Suffice to say, there is a great need for a study of this nature to analyse the new Funding Model for FET Colleges as no comprehensive research has been conducted to assess its implementation. This study intends to fill the knowledge gap to provide FET public managers with insight into an ‘ideal funding model’. The term ‘ideal’ is used, as what works in one set of conditions may not necessarily work in another. One suggestion for this ideal model would be one that constitutes a partnership between government and the private sectors.

1.4 Objectives of the Study

1.4.1 General objective of the Study

The general objective of this study is to evaluate the new Funding Model for FET Colleges at an organisational level with a particular focus on the financial implications of these colleges.

1.4.2 Specific Objectives of the Study

The following specific objectives were identified for the study:

- 1) To describe the policy and legislative underpinnings relating to norms and standards for funding public FET colleges.
- 2) To describe and explain the new Funding Model for FET Colleges.
- 3) To contrast the new funding model with some of the international Technical and Vocational Education and Training (TVET) systems, both in developed and developing economies.
- 4) To identify alternative strategies that can be implemented to avert potential unintended consequences of this new Funding Model for FET Colleges.

1.5 The Research Question

What are the effects of the new Funding Model on Further Education and Training Colleges?

1.6 Research Hypothesis

A hypothesis is an explanation of a phenomenon that can be verified in a manner that proves or disproves what it appears to claim (Welman et al., 2009). The FET colleges' mandate goes beyond the currently funded NC(V) programmes; yet, a large portion of the programmes offered by colleges is excluded from the funding model. This hypothesis is intended to test the extent to which the Funding Model for FET Colleges can ensure that colleges are adequately funded, taking into account their extended mandate.

1.6.1 Working hypothesis

The new Funding Model for FET Colleges can improve service delivery, provided all programme offerings and activities are incorporated into the model.

1.7 Limitations of the Study

Several limitations affect this investigation. Firstly, there is a general lack of well-researched literature on FET colleges' funding readily available for potential researchers who are keen to learn more about this sector. The only available material is archived by the Department of Education and is not easily accessible by reaseachers. However, there are a few researchers (McGrath and Lugg, 2012; McGrath, 2011; McGrath, 2010; Akoojee and McGrath, 2007; McGrath, et al., 2006; McGrath and Badroodien, 2006a; McGrath, 2005; McGrath, 2004a; McGrath, 2003; and Crosser, et al., 2003, who have done comprehensive research on the FET sector in general. Still, there is very little or no literature on FET college funding.

Secondly, as the study was conducted during office hours, it was difficult for some participants to dedicate their time to participate in it. This caused a limitation as it severely interfered with the collection of the required data.

Thirdly, there was a limitation of access to departmental documents, which are unavailable due to their confidential status. Connected with this limitation was the unavailability of government officials dealing with finances, again due to the research hours.

Lastly, the sample colleges are almost three-hundred kilometres apart from one another. This made accessibility very difficult because of the long distances to be travelled to collect data.

1.8 Delimitations of the Study

The study was conducted within limited parameters of only three KZN FET colleges. The FET Colleges sector is not well researched and this affected the amount of information available for the researcher to conduct the study.

1.9 Chapter Outline

1.9.1 Chapter 1

Chapter 1 is the introduction to the entire thesis. It provides the reader with the background of the study, objectives of the study, the research question, the research hypothesis, limitations of the study, delimitations of the study and an overview of the entire study and chapters.

1.9.2 Chapter 2

This chapter contains the literature review of policy and legislation underpinnings, discusses the theoretical underpinning of this study, defines the Funding Model for FET Colleges, and, finally, benchmarks the FET Funding Model to that of similar institutions at an international level, specifically countries with developed as well as developing economies.

1.9.3 Chapter 3

Chapter 3 gives the reader an overview of the research design and research methodology employed in the study.

1.9.4 Chapter 4

This chapter provides the reader with the process of data collection and the analysis of the collected data.

1.9.5 Chapter 5

Chapter 5 is the summary of study findings as well as the recommendations.

1.10 Conclusion

Chapter 1 presented the focus of the study, the objectives, the research question, the rationale, limitations and delimitations of the study, as well as the structure of the chapters in this thesis.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter discusses the review of literature with reference to the funding of technical and vocational education and training colleges. FET colleges teach academic, training and technical skills development particularly in the public sector for work readiness. Generally, it is an established fact that education is a conduit for development – in this case skills development. Governments around the world are aware of the vital role this sector plays in economic and social development (McGrath et al., 2009). Therefore, most governments, including the South African government, fund this sector of education with the intention of developing vocational, technical and other work-related skills that prepare its citizens for the workplace. This chapter will focus on a discussion on the funding of FET colleges in South Africa.

2.2 Policy and Legislative Underpinnings

The Constitution of the Republic of South Africa (Act 108 of 1996) (Section 29 (1)) states that, “everyone has a right to a basic education, including adult basic education, and to further education, which the state, through reasonable measures, must make progressively available and accessible.” FET colleges are established on the basis of this right as guaranteed by the Constitution.

The focus of this study is on the current funding status of the public FET colleges. However, it is imperative to consider the historical background of these institutions and to consider what shaped their policies. It is critical to look at the participation of all South Africans, regardless of their race, gender or creed in the industrial revolution around the late nineteenth century. The industrial revolution period marked the importance of having a skilled and capable workforce to industrialise what was then the white economy. It was structured in such a way that the involvement of other racial groups was marginal in comparison to that of their white counterparts (Kallaway, 1984:102). McGrath (2004:11) observes that there was a “need to protect the place of white semi-skilled labour against the danger of undercutting by cheaper black labour

combined with racialised views about aptitudes towards work and skill to constrain skills development for blacks.” The exclusion of the black race from participating in the skills development agenda was not only racialised, it was also gendered. Women were excluded from contributing to building the economy, although, population-wise, they remained the majority citizens in the country (Dean et al., 1983: 103).

The National Development Plan (NDP): Vision for 2030 (The Presidency: National Planning Commission, 2011:3) highlights nine of the central challenges faced by South Africa in education and the workplace today:

- 1) Too few people are employed.
- 2) The standard of education for most black learners is of a poor quality.
- 3) Infrastructure is poorly located, under-maintained and insufficient to foster economic growth.
- 4) Spatial patterns exclude the poor from the fruits of development.
- 5) The economy is overly and unsustainably resource intensive.
- 6) A widespread disease burden is compounded by a failing public health system.
- 7) Public services are often of poor quality.
- 8) Corruption is widespread.
- 9) South Africa remains a divided society.

Apartheid policies excluded the majority of people in South Africa who could have contributed meaningfully to the economic growth of the country. The National Development Plan: Vision for 2030 (2011:6) further reiterates that, “if we are to eliminate poverty and reduce inequality, we need to engage seriously with the impact of gender on people’s life chances and opportunities”. Some of the unintended consequences of the political, social and economic exclusions resulted in very low productivity as well as increased unemployment rates.

Faulkner and Loewald (2008:3) argue that South African economic growth was greatly influenced by, “separate and vastly unequal public services, particularly education, [which] contributed to the creation of large, semi-urban, geographically-isolated communities with low education levels and little means for self-generated economic development”.

FET colleges are therefore entrusted with the huge responsibility of promoting the fulfilment of people's constitutional rights to further education, which many have been denied for decades. The essentials of economic growth and social cohesion represent a predominant theme when facing the challenges of South Africa to distinguish itself in a competitive position in the global, knowledge-based economy. Thus, skills shortage is seen as one of the biggest hindrances to prosperity resulting from economic growth. Accordingly, Roux (2008:61) observes that, "these rather distressing [states of affairs] imply that a very large proportion of South Africa's working age population is simply not employed in an economic environment in which manual labour is becoming less and less important and appropriate skills are more and more sought after".

The restructuring of the FET sector is aimed at dismantling the apartheid educational structures that catered mostly for the white minority. The new system aims to establish new structures for governance, management, the introduction of new curricula, and the funding system. In trying to address this daunting challenge, government has come up with FET policy initiatives that are tied in with other legislative frameworks. These include the Accelerated Shared Growth Initiative for South Africa (ASGI-SA), the Joint Initiative for Priority Skills Acquisition (JIPSA) and the Human Resource Development Strategy for South Africa (HRDS-SA) as part of the economic strategy of the country.

The FET colleges are pivotal players in addressing the skills shortage, as identified by ASGI-SA. ASGI-SA is one of the government policy initiatives aimed at halving poverty and unemployment by 2014. This initiative will only be possible once the issue of skills shortages has been addressed. Kraak and Hall (1999:28) support this notion, as expectations that these institutions will be able to contribute significantly to the social development of previously marginalised communities are high.

JIPSA was also established to address the shortage of high-level planning and engineering skills for the network industries. According to Mlambo-Ngcuka (2006:3), JIPSA is an inter-departmental structure, consisting of ministers, business leaders, trade unionists, and education and training providers or experts to identify requisite skills. JIPSA has since been replaced by HRDS-SA due to the complexities in its implementation. HRDS-SA was created for the following reasons:

- a) “To urgently and substantively reduce the scourges of poverty and unemployment in South Africa.
- b) To promote justice and social cohesion through improved equity in the provision and outcomes of education and skills development programmes.
- c) To substantively improve economic growth and development through improved competitiveness of the South African economy.” (Department of Public Service and Administration, 2009:18)

However, one cannot overlook the mammoth task that these colleges have to fulfil, especially regarding the skills gap. Mlambo-Ngcuka (2006:3) states that the, “shortage of suitably skilled labour [is] amplified by the cost effects on labour of Apartheid spatial patterns … and that the uneven quality of education remains a contributory factor”. It is against this backdrop that this study argues that apartheid advanced the radicalisation of skills in South Africa, which has further exacerbated today’s enormous skills shortage. McGrath (2004:16) agrees that, “skills had been profoundly radicalized and gendered; black (especially female) South Africans had been denied access to skills development or had received no certification or recognition for their real levels of skills and knowledge learned on the job; and provider institutions and delivery systems were fragmented and dysfunctional”. The result of this catastrophic apartheid approach is evident in the high rate of structural unemployment in South Africa.

The significant question is whether FET colleges and other government interventions will help resolve the skills shortage in this country. Some scholars such as McGrath and Akoojee (2007:203) strongly believe that, “FET colleges are, therefore, considered crucial to the success of the current South African national development agenda and there is at least some consensus about the role of a sector which has been so radicalized and gendered in the past”. However, one cannot ignore the contrasting views about the state of readiness of these institutions in as far as their resourcing is concerned.

The Green Paper on FET highlights a lack of responsiveness and relevance in the country’s education system as the main contributor to the skills shortage (Department of Education, 1998). This finding seems to be in contrast with what the FET colleges were established for in terms of the FET Colleges Act 16 of 2006. In chapter 1 (Section 1.2) of the Green Paper on FET (1998), the policy aim is stated as being the

development of a, “vibrant, innovative and responsive FET system, through which the people of South Africa can develop their full human potential and contribute to the building of [a] just, democratic and prosperous society”. The latter statement therefore suggests that FET colleges are geared to offer programmes that are responsive to the needs of the communities they are serving.

The statement further suggests that programmes offered at these colleges should be in line with the objectives of the National Qualifications Framework (NQF) Act 67 of 2008, which is the principal instrument through which national education and training qualifications are recognised and quality-assured. Chapter 2 (Section 5b) of the NQF Act 67 of 2008 highlights one of the objectives of the NQF in order to, “accelerate the redress of past unfair discrimination in education, training and employment opportunities.” Such a responsibility can never be fulfilled without government’s commitment towards allocating adequate resources, especially funding, to these institutions.

Chapter 5 (section 2) of the Green Paper on FET Colleges (1998:33) further highlights that the, “Ministry notes with concern the findings of the NCFE that funding for FET is sub-optimal and, despite some positive features, displays many negative characteristics such as lack of funding, poor information, inadequate and skewed funding; low rates of return, and high inefficiency”. These anomalies prompted government to establish a new coherent funding framework that seeks to address the shortcomings of the old funding model.

2.3 The Definition of the new Funding Model for FET Colleges

The challenges highlighted by the Green Paper on FET (1998) led to the publishing of the Government Gazette No. 32010 by then Minister of Education, Naledi Pandor, in March 2009. The Gazette for National Norms and Standards for Funding FET Colleges was published in terms of section 23 of the FET Colleges Act 16 of 2006, after

consultation with the Council of Education Ministers and with the concurrence of the Minister of Finance.

This policy called into question the state of readiness of the colleges to manage their own business. It called for colleges to have the capacity to formulate strategic and operational plans in line with those of their provincial departments as well as national ones. The policy also emphasised the importance of an efficient financial system that has budgetary and financial control, financial accounting and financial reporting. This point was further emphasised by Pauw et al. (2009:119) who stated that, “equally in the public sector context there is a need for planning and budgeting, control of budget execution, reporting and monitoring and evaluation of service delivery to people”.

It is therefore imperative that colleges are capacitated in terms of financial management and accountability before the implementation of the new funding model. According to the Government Gazette No. 32010 (Department of Education, 2009: 6), the, “funding norms assign specific planning responsibilities and powers to the national, provincial and college levels”. An integrated approach will ensure that allocated funds are managed properly. In addition, one cannot ignore the global trends in financing technical and vocational skills development in both developed as well as developing countries.

The African Economic Outlook (2010) suggests that inadequate funding of these institutions is a hindrance in their contribution to the economy. Thus, despite the core role played by technical and vocational skills development in economic development, the skills training system in Africa is severely underfinanced. In addition, the provision of academic, technical and vocational skills is expensive, since facilities, materials, equipment and maintenance costs are prohibitive. It will therefore be interesting to find out how the new proposed funding model ensures that colleges are adequately funded.

Section 24(1) of the FET Act 16 of 2006 (Department of Education, 2006) outlines the different ways by which FET colleges could be funded:

- a) Funds allocated by the state.
- b) Any donations or contributions received by the public college.

- c) Money raised by the public college.
- d) Money sourced by means of loans, subject to the approval of the member of the executive council.
- e) Income derived from investments.
- f) Money received from services rendered.
- g) Money payable by students for further education and training programmes provided by the public college.
- h) Money received from students or employees of the public college for accommodation or other services provided by the public college.
- i) Funds from any other source.

The funding model for colleges is thus directly linked to Section 24 (1) (a) of the FET Act, which maintains that funds are allocated by the state. This remains the main source of funding for public FET colleges. The funding model consists of the following three key components:

- 1) It relies on the government subsidy that covers 80% of the programme costs.
- 2) It places a cap on college-level fees to remain at 20% of the total programme cost.
- 3) It emphasises the establishment of a national bursary scheme to reduce the 20% burden of college fees.

There are seven revenue streams for the colleges, which include formula funding, earmarked capital funding, earmarked recurrent funding, college fees, student financial aid, fee-for-service income and other private funding (Department of Education, 2009). These revenue streams are discussed below to give the reader a better understanding of how these funding models function.

The first stream of revenue is formula funding of programmes, which is designed to assist FET colleges in covering the total costs of delivering the National Certificate Vocational programmes (NC(V)). The total costs include both operational plus capital expenditure associated with the running of the new NC(V). The policy document argues that any exception from programme funding is then catered within the earmarked recurrent funding stream (Department of Education, 2009). However, this thesis raises

a counter-argument that FET colleges have an extended mandate that goes beyond the state-funded fourteen NC (V) programmes. FET colleges are geographically spread across nine provinces and are well positioned to contribute to the acute middle-level skills crisis.

The curriculum scope for FET colleges is very wide, covering non-NATED, non-NC (V), formal and non-formal programmes, including skills programmes for responsiveness. All these programmes form part of the government strategy to address rural development and poverty alleviation. It is against this backdrop that this thesis argues that the resource provisioning for programmes beyond NC (V) should remain the state's responsibility and not be borne solely by FET colleges.

It is also a fact that the state alone might not be able to adequately provide resources to FET colleges, but still has the responsibility to create an enabling environment for these colleges to find other sources of funding. In the most developed countries, such as the United Kingdom (UK), funding for public further education and training colleges are disbursed from the coffers of central government (British Council, 2010)

The British Council (2010) further elaborate that, "UK students studying in state colleges do not pay fees up to age 19 ... [A]fter that age fees are subsidised. It is the case that companies often pay high fees for professional training provided by the colleges". A similar approach could be adopted if one looks at the backlog of essential skills needed for the economic growth and prosperity of South Africa. Taylor et al. (2007:31) observe in this regard that it is

"... further recommended that a number of possible revenue sources be mobilized for those programmes where funding is a particular constraint, including National Treasury discretionary funds, which could be channelled through the DoL or DHET; NSF funds which are currently being disbursed to provinces; SETA monies, which could be reprioritized to meet short-run employer-led targets; and private sector contributions".

The second stream of revenue is the earmarked capital funding that provides for all other capital expenditure associated with the building of new infrastructure or expanding existing infrastructure. It is meant to fill the gap left by the national funding base rate. It is important to note that this type of funding comes in the form of conditional grants ring-fenced for a specific purpose.

Conditional grants and donor funds come with their own sets of conditions that a manager of public money has to satisfy (Pauw et al., 2009:147). A good example of this type of conditional grant is the recapitalisation of the FET colleges that run, for instance, over a period of three years. These types of funds are declared in terms of the Division of the Revenue Act [DORA] (Department of National Treasury, 2012:9)

The third stream of revenue is recurrent funding, which looks at projects not catered for in the earmarked capital projects. Such projects may include the development of staff or college IT systems as a way of adapting to new trends and systems. These funds also come in the form of conditional grants. There are other critical elements of the college budget that need to be covered under the recurrent funding. These include research-curricular projects, marketing, innovation, and psychological and wellness support. Consequently, there are other processes that are external to the offering of tuition such as examination and assessment costs which have the potential to lower the integrity of examinations and value of certification if not adequately funded. This study seeks to establish whether the new funding model covers all the aforementioned aspects.

The fourth stream of revenue is college fees, which are capped at 20% of the total programme cost that the college may charge from students. Students are allowed to apply for a bursary through the national bursary scheme administered by NSFAS. This is the government's mechanism to, "ensure that students who are academically capable but poor are assisted to pay college fees" (Department of Education, 2009: 14). While financial aid is provided through NSFAS to FET colleges students, it should be asked if such assistance covers tuition, books, travel and accommodation costs for students. If not, what alternative financial aid is available for students, considering the fact that some reside in the colleges' boarding facilities?

The fifth stream of revenue is the fee-for-service income that colleges generate through other programmes offered to private and public clients. These are the programmes that fall outside of the programme-funding category that caters only for the NC (V) programme. This implies that colleges need to charge market-related fees in order to be self-sustainable; yet, the majority of the people who attend these programmes come from very poor backgrounds. The bursary scheme does not cater for this market, but the duration of these programmes is short in comparison to that of the state-funded programmes.

The sixth stream concerns private funding, which may consist of international and local donors or student training projects that can generate marketable products. These products are then sold on the market as part of revenue collection for the college. A very good example is a woodwork course during which students are asked to manufacture a school desk that can be sold to cover the costs of training materials and potentially to generate a surplus.

The funding model links to performance outputs, such as throughput rates and pass rates for the colleges. There is also a special focus on retention rates to lessen the amount of dropouts from the system – this is a big concern for colleges as it has a direct influence on the funding allocation. Colleges are given a template for a formula-funding grid that determines the indicative budget for the planned year. The college will then receive its budget allocation based on the actual enrolments for the year as well as its output rate.

According to the Republic of South Africa (2008: 384), the dropout rate for the FET college students stood at 29% nationally in 2008, with the national pass rate standing at only 35%. The implementation of the new funding model will therefore have serious repercussions for many colleges in as far as their financial resources are concerned. It is therefore necessary at this point to introduce the theoretical basis for the funding model for FET colleges, namely the theory of Public Finance Management.

2.4 Theory of Public Finance Management (PFM)

Public Finance Management (PFM) concerns the role of government in collecting and allocating its scarce resources to its various functions (Gruber, 2005: 25). As a function

of public finance, budgetary allocation is central to the government's roles of allocating and redistributing public money, among other reasons to ensure economic stability. South Africa is an emerging economy with a wide gap in the distribution of public goods. Consequently, the role of government remains vital for managing public finance for sustainable economic development and growth that includes the education sector. The budget provides for empirical and normative strategies of how government will grow the country economically, which includes the education of its population. It cannot be overemphasised that the transparent management of the budget is a basic constituent of good governance and democratic accountability.

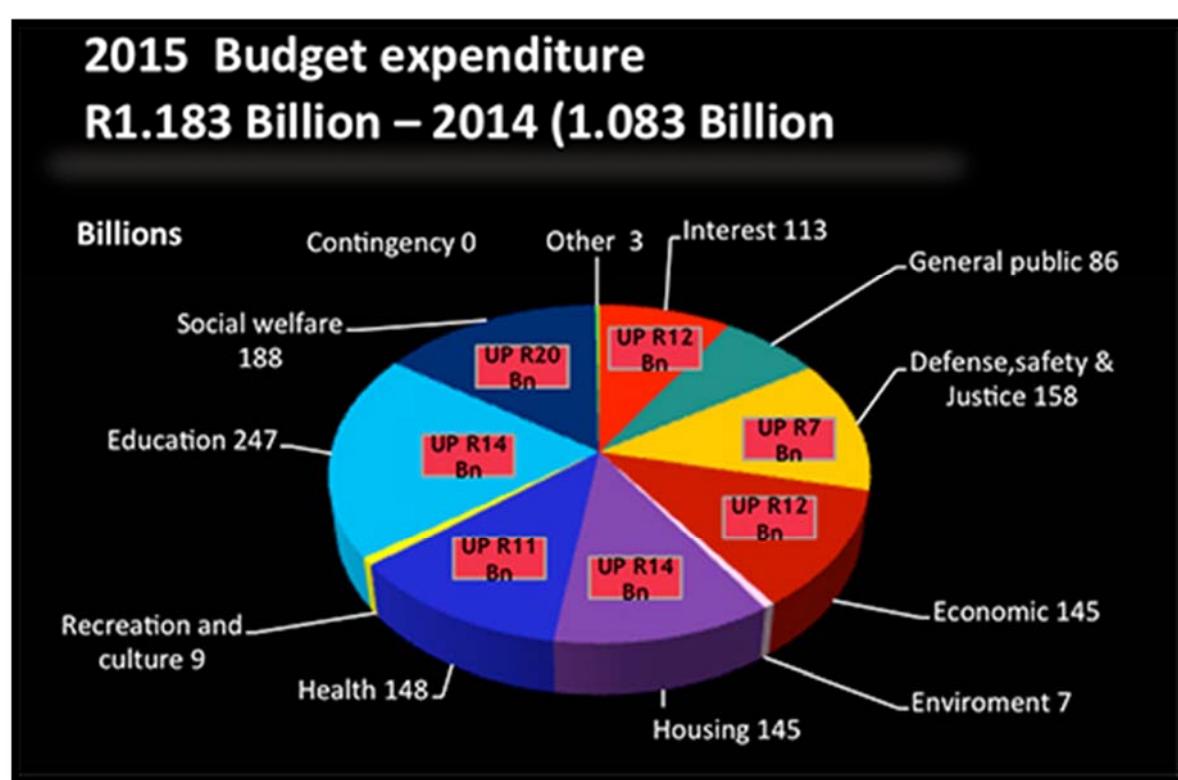


Figure 1: 2015 Budget Expenditure of South Africa (Source: Department of National Treasury-Budget Review 2014).

Figure 1 indicates the budgetary allocation for the financial year 2014–2015. It is evident that the largest portion of R247 billion was allocated to education of which FET colleges receive a significant part.

Typically, most PFM practices are underlain by normative practices such as “rules of accounting, managerial controls and the legal compliance” (Bartle and Ma, 2004:3). While these are important values, they are not the only values. The Transaction Cost

Theory (TCT) is a positive and normative theory of PFM (ibid). This model has been used in the private sector since the 1980s (Bajari and Tadelies, 2001: 389), and has been applied to management controls, capital structures, capital budgeting, expenditure management, procurement and cash management among others (Bartle and Ma, 2004: 5). However, for our purposes in this project, I shall only focus on the expenditure management as an aspect of TCT.

2.4.1 Transaction Cost Theory

Transaction Cost Theory for PFM has two advantages: “ubiquity of transaction” and “accepted efficiency” (Bartle and Ma, 2004: 4). At the core of TCT are the processes that underlie revenue collection or revenue expenditure. The main process we are concerned with in both cases is the “contractual strategy”, given that this study is concerned with government expenditure and therefore a funding model for FET colleges (ibid).

2.4.1.1 Transaction Cost Theory and Expenditure

The question of expenditure management is a contracting issue and it has three administrative levels.

- a) Policy determination, objective and resource needs.
- b) Resource allocation to those objectives and needs.
- c) Assurances that the “objectives and needs are carried out efficiently, economically’, and effectively” (Premchand, 1993:22).

In TCT, “bargaining and decision cost influence policy” exists between the Department of Finance and “spending agencies: such as FET colleges. What is involved is a “Political Transaction Cost” (PTC), (North, quoted in Bartle and Ma, 2004:56). A budget allocation presupposes that both the DHET and FET colleges agree on an expenditure contract, namely that money will be disbursed and the colleges agree to spend it based on existing financial policies. Much as this is the normative position of how the relationship between DHET and FET is supposed to work, it does not always happen as directed by policies governing such transactions. This is the case because

FET colleges may behave “opportunistically”. This is called “bureaucratic opportunism” and may lead to the cutting down of budgetary allocation (Bartle and Ma, 2004:5). This obviously supposes that budget expenditure contracts are not enforceable and budget commitment not kept (*ibid*). It also implies that sometimes FET colleges have to find strategies to hedge themselves against such bureaucratic opportunism. There is not much room for manoeuvre because the largest portion of FET funding comes from government. This has created dependency on the government-funding model. However, policy provisions allow FET colleges to collect fees as well as seek sponsorship and partnership from the private sector, which has its own pitfalls. In summary, it is important to note that financial relationship between government and FET College’s exhibit “contracting behaviour”, which is discussed below (*ibid*).

2.4.1.2 Transaction costs Theory in Public Finance Management

A transaction model of PFM evaluates institutional, contractual arrangement and management efficiency. Efficiency as a positive value concerns the interest of those being served under certain arrangements (Milgrom and Roberts, 1987: 171). Transaction theory assumes that people in this field behave rationally, opportunistically sometimes and that the risk preference of management is not a constant. TCT also assumes that the unit of analysis in PFM is financial transaction. Thus, there are various ways of organising and managing financial transactions that cut across organisations and governments (*ibid*: 6). Milgrom and Roberts (1992: 87) identify two such ways, namely management functions coordination and motivation, as the grounds for contracting arrangements between DHET and FET colleges. Bartle and Ma (2004: 8) subsequently added control of coordinating costs to Milgrom and Roberts’ (1992: 102) management functions coordination and motivation.

The efficient management of public money is a specialised field and requires coordination, for example between the government treasury and FET colleagues, and between government officials and FET officials. It involves costs for instance between government and private firms. This is called “market costs” (Milgrom and Robert, 1992: 96). For the purpose of this study, the focus falls exclusively on expenditure management of public money. The process reflects conflicting interest and risks among policy makers, legislation and government agencies who are interested in controlling

spending. In short, transactions costs are very often determined by the “attributes of contractors and financial transactions” (Bartle and Ma, 2004:8). For example, where multiple principles exist, that is, checks and balances and the separation of power, it is the case that financial management may be in the hands of many independent fiscal officials (Mackinnery, quoted in Bartle and Ma, 2004: 123). Naturally, transactions costs increase. There are costs for “maladaption and communication”, particularly where 1) there is the need to reprogram the budget or 2) an expenditure plan was made with insufficient information (ibid:8).

Motivation costs also involve many transactions costs of design and running motivational systems among others, but this is beyond the scope of this study.

Control costs in turn involve external controls for various reasons. It is a fact that if government is funding FET colleges, they must have a say in how the money is spent. The contracting relationship in expenditure management is contextualised in legislation, policy, government departments, budget, and expenditure plans to control how the money is spent (ibid: 9). In general, it is not a free cost, but largely involves information and monitoring costs.

To conclude this section on the theory of PFM, it is important to note that the Department of Finance, and by extension the DHET, needs information to make financial decisions, but often this information coming from FET colleges is inaccurate or distorted. In the public sector, the general tendency is to require more compliance, but these requirements in the form of rules are often harmful because they exert very tight controls on the use of the funds, which is a disincentive in itself. It may be necessary to design and implement different control regimes for financial transactions with various attributes, including trust (ibid: 19). The normative point of PFM is to improve efficiency and may concern best practices in the industry as well as the costs involved. This thesis suggests that the value of institutional efficiency developed through contracts with various partners in the spending of public money is a normative value and ought to be central to PFM. It can expose corruption among other factors (ibid: 20). After all, public finance management is about service delivery to the people of South Africa and, in this case, FET college students.

2.5 Funding of Technical Training and Vocational Education in Other Countries

This research is a micro study of the funding model for FET colleges in South Africa. It was not designed as a comparative study of funding models across countries; yet, a mention of the funding models in selected countries is necessary to give a brief overview of the nature of funding models. This study focuses on three other countries, namely Germany, Ghana and China.

2.5.1 The role of Government in Funding Training and Vocational Education

The United Nations Educational, Scientific and Cultural Organization (UNESCO) define technical and vocational education as:

... all forms and levels of the education process involving, in addition to general knowledge, the study of technologies and related sciences and the acquisition of practical skills, know-how, attitudes and understanding relating to occupations in the various sectors of economic and social life. (UNESCO/UNEVOC, 1996:3)

The above definition points to the fact that technical and vocational education occurs in the private as well as the public education sector. Funding remains a crucial factor for technical and vocational education, which is a form of human resources development in any country. No technical and vocational education can operate effectively and efficiently in any country without adequate financing (Gasskov, 1994: 17). There are various models for funding in both the private and government sector. In the third world, and particularly in Africa, technical and vocational training is mostly funded by government. This is because of the important role that technical and vocational education plays in the development of the modern economy. It is also important to observe that funding of technical and vocational education is determined by many variables (Atchoarena, 1996: 36):

- a) The structure and size of the economy determine government funding for technical and vocational education to a significant extent.
- b) The economic policy with respect to the general development of the economy directs government's role in funding technical and vocational education. This

includes long-term goals, which government sets up for its development strategies.

- c) The maturity of social partners' *vis-à-vis* training elicits the question, "Should the government incentivise the private sector to promote skills training? (Middleton et al., 1993). The South African government realises the importance of creating skills to create jobs. It is for this reason that the education sector, in the 2013/2014 budget, obtained the largest budgetary allocation when compared to the other sectors of the economy.
- d) The states of relationships between the partners are involved in this case. The involvement of stakeholders such as the political parties like the African National Congress (ANC) and the Democratic Alliance (DA), government, the Congress of South African Trade Unions (COSATU), and various non-governmental organisations (NGOs) is important to the harmonisation of policies and strategies that prioritise the national development goals.

There is no doubt that the cost of education has been increasing. However, most governments continue to be faced with the challenge of meeting the requirements of the training and vocational education sector to fulfil their mandate and responsibility to develop human capital. Governments must fund education in one form or another to benefit the country as a whole. The involvement of governments in funding training and vocational education is associated with government's social, economic and employment policies. Whalley and Ziderman (1990) support this notion that "in most developing countries, the major programmes of vocational training and manpower-skill development are financed from general government revenues".

In the South African context, for example, this is linked to poverty reduction as well as affirmative action policies. Public financing provided through budgetary allocation assumes that the critical responsibility of developing human capital for national development lies with the state. This is reflected all over the world.

2.5.2 Funding Models of Training and Vocational Education Compared

2.5.2.1 China

In China, technical vocational education and training (TVET) involves technical education and skills training, which include pre-employment programmes, job transfer programmes, apprenticeship programmes, on-the-job training programmes, and certificate programmes. TVET is a major constituent of the entire educational system in China. However, as in most third-world countries, TVET has not been given the same emphasis as universities (Yan, 2010: 12). Table 1 indicates the general structure of the schooling system in China and TVET's place. Given China's rapid development in the last two decades, the need for skilled labour has highlighted the need for government interventions to support TVET. It is necessary to point out that in China the local government at provincial level has considerable autonomy to develop laws and policies for TVET (Barabasch et al., 2009).

Levels of Education	General Education	Technical Vocational Education and Training (VET)
Tertiary Education	Universities <ul style="list-style-type: none"> • Undergraduate studies • Graduate studies • Postdoctoral studies 	<ul style="list-style-type: none"> • Polytechnic colleges • Specialised junior colleges • Technician colleges
Higher Secondary Education	<ul style="list-style-type: none"> • General Senior High schools 	<ul style="list-style-type: none"> • Specialised high schools • Vocational high schools • Skilled worker schools • Adult specialised high schools • Short-term courses
Lower Secondary Education	<ul style="list-style-type: none"> • General junior high schools 	<ul style="list-style-type: none"> • Vocational junior high schools • Short-term courses
Primary Education		
Pre-school Education		

Table 2: China's Educational System (Source: Cooke, 2005)

The Chinese TVET system is significantly fragmented due to historical factors, devolution, and a propensity among public authorities to view private training providers as intruders rather than allies. China recently established an intergovernmental forum to coordinate TVET activities, but it has been riddled by problems. The fragmented nature of TVET and the lack of comprehensive oversight make them prone to inefficiencies. In addition, TVET is affected by issues such as weak labour, weak

market links, and poor organisational and management practices (Barabasch et al., 2009).

The funding of TVET is difficult to establish because there are no credible statistics to present a coherent indication of the funding model. Sometimes the statistical information available is fragmented, may not be comparable, may be obsolete and sometimes is contradicted by other statistics (*ibid*). According to China Daily (2012), from 2011, China invested 92 billion dollars in the training and vocation education sector. One of China's strategies is to promote the orderly transfer of rural labourers to urban areas. China is responding to its urbanisation needs, which stand at 50% of its total population. Hence, China is skilling its rural population to empower its citizens to find jobs before moving to the cities.

However, even with China's impressive economic growth rates in recent years, the country spend far less of its national income on education compared to Germany for example. The total spending on education from all public and private sources gradually increased from just over 3% of gross domestic product (GDP) in the 1990s to around 4.5 % in 2006 (Harris et al., 2010: 6).

Funding education by level, by type of education, or by region, or in terms of expenditure per student, provides a better picture than the aggregate sum China spends in relation to its GDP. Data from 2006 indicates that tertiary institutions received 30% of total education budgetary allocation. This massive investment in higher education means that other levels and types of education receive less. Although by international standards, this is not an exception, such data should be tallied to the numbers of students enrolled (Harris et al., 2010: 7).

Considering the recent reforms in education, China has unequivocally embraced the principle of beneficiaries of TVET by sharing the financial burden as in Germany. However, legislation to provide a basis for the diversification of funding sources has so far mainly meant that tuition and other fees have increased sharply. The share of government allocations in total funding has declined in recent years (Schnarr et al., 2008: 58).

However, although the private sector's contribution has steadily increased, it is not yet significant in China. Government has sought to legislate a funding model supported by the private sector. In general, large corporations attach considerable importance to training their workers. In summation, the existing funding model ensures that money flows to TVET from the private sector and from government in the form of bursaries, grants, loans, training payment, emoluments for services rendered and donations (Schnarr et al., 2008: 23).

In addition, government provides funding in the form of incentives to improve involvement from disadvantaged groups or to introduce competition among schools to improve quality. Governments may provide fiscal incentives to the private sector to train workers or to private training providers to take in more trainees. In spite of the contributions from both the private sector and government, parents still contribute to education through taxes, and the private sector in the form of training wages withheld (Schnarr et al., 2008: 5).

Other possible funding sources include funds from the government, commercial funds, and international assistance. Financing TVET in China is very much part of financing education as a whole. Discussions in China consider education as a public good. Therefore, concerted efforts continue to be directed towards finding a new modality to fund TVET development.

2.5.2.2 *Germany*

The German TVET system is a dual education system that combines apprenticeships in a company and vocational theoretical learning at a college. It is participatory-based, combining full-time education, apprenticeships, and socialisation (Ochs, 2006: 607). A major advantage of this dual system is that it integrates real-world experience with theoretical learning and teaching in TVET (Blossfeld and Stockmann, 1999). China adopted and introduced this German model (Schnarr et al., 2008: 5).

In Germany, the TVET is more centralised and standardised. The federal government plays an active role in legislation and laying the foundation for partnership with state governments. The main providers of education and training are colleges and companies. They support and consult each other in developing the pedagogical content. Secondary

school graduates who do not pursue university education usually join TVET and in most states they study and apprentice part-time. Since low-skill job workers with vocational degrees are offered fair pay, students are willing to obtain a vocational degree as a prerequisite for employment. By law, credentials are transferable to a higher education programme (Euler, 2013: 9).

While the trend in Germany is for companies to assume the cost of training and provide for vocational education with respect to the specific skills required, states play a central role because of their responsibility to provide education. It must be emphasised that the National Federal government does not directly provide funding for training and vocational education. In other words, while it intervenes as a regulator, funding is limited, based on the economic and specific labour needs (Rauner and Maclean, 2008; Kath, 1998). The private sector in Germany ensures that training costs do not become the sole responsibility of government.

[Thus] the costs of the dual vocational training system are borne proportionately by the government and the business community. Not all businesses that are authorized to train workers actually do so. In the case of certain occupations, providing vocational training results in net income for the businesses involved. Benefits for businesses: vocational training programs can serve as an investment in a business's recruitment strategy; potential benefits from "free-riding". Benefits for society: the financial involvement of the business community makes it possible to keep government expenditure for vocational training at a relatively low level. (Euler, 2013:39)

The partnership between government and the private sector, among other things, extends to financing. The government and the private sectors contribute in different ways to financing TVET. Funding by companies is offset by the productive contributions of their trainees and other factors that generate benefits for the contributing company. The 2012 report on education expenditure shows that, in the area of vocational training, contributions from the public sector totalled 57.2% (federal: 18.5%; states: 27.6 %; local communities: 11.2 %), while private entities contributed 42.8% of the total (German Federal Statistical Office 2012, quoted in Euler, 2013:29).

From the business viewpoint, a company may reduce financing vocational training if it deems this investment to be a burden and a competitive disadvantage relative to

companies that do not train workers. As far as financing of TVETs is concerned, the following alternative strategies might be considered to share in the cost of training:

- a) Increase the shares of government financing to school-based phases and reducing privately funded in-company training.
- b) Introduce an industry-specific fund, such as that in Germany's construction industry. Under this system, all construction companies pay a percentage of their payroll costs into this fund, which is used to compensate companies for the fees and costs associated with intercompany training and/or a share of the wages paid to trainees.
- c) In Germany, there have been repeated calls for shared financing. This involves companies contributing to a fund based on the volume of its employees. This money is managed and distributed to pay the costs of attending TVET and to finance intercompany training. In addition, subsidies are paid to companies that provide training positions (Grollmann et al., 2004).
- d) Some costs of training are covered by government subsidies as grants and awards (Evans and Bosch, 2012:20).
- e) Another option would be to add a year of government-funded basic vocational preparation in some occupations. This is then followed by dual training by companies. This means trainees entering company training would already have achieved a certain skill level. They could therefore be assigned to tasks that are more productive. This would substantially reduce the financial burden on companies (Euler, 2013; Schnarr et al., 2008).

In conclusion, the German TVET enjoys a great reputation considering that it has a long history and the very fact that it has a coherent and well-established funding model compared to the Chinese model. China in cooperation with Germany is attempting to borrow aspects from the German model even though this will take some time for it to take root. However, it must be noted that the Chinese and German TVET systems are two very different systems with different challenges.

2.5.2.3 *Ghana*

In Ghana, TVET is perceived as the reserve option for those unable to obtain the requisite grades for university entrance. It is institution-based, poorly perceived and

poorly funded – mostly by the state and international donations (Afyeniyandu et al., 1999). On the whole, Ghana suffers and reflects the same conditions suffered by training and vocational education in most African countries, including South Africa.

The challenges facing TVET in Ghana include the need to adapt to new technological changes. The above changes have meant that the structure of jobs has also changed. This has affected the workforce that is in turn changing from a mostly manufacturing to a knowledge-based and information-based skill force (Kappar, 1993). This also means that the way in which the economy functions in terms of education and training for growth and development is changing.

TVET plays a major role in the growth and development of the Ghanaian economy. Logically, TVETs have to collaborate with people in government, industry, and in other disciplines to grow and develop the economy. In this way, TVET can become relevant to the needs and interests of the trainees and the interests of the Ghanaian economy (Villafaria, 1995).

The role of TVET in Ghana includes:

- a) Increasing the relevance of schooling by imparting individuals with skills and knowledge that makes them a productive to the society.
- b) Reducing unemployment by providing employable skills.
- c) Increasing economic growth by providing quality and skilled productivity.
- d) Reducing poverty through TVET education thereby increasing incomes due to required skills and employability.
- e) Transforming attitudes that favour occupations with prospects of employability (Boateng, 2012: 109).

Education in Ghana is a vehicle that will accelerate economic and social growth and development. TVET as an aspect of schooling that has been used to train and skill the youth in crafts such as catering, needlework, carpentry, masonry, and blacksmithing. In 1987, a new TVET structure and content became operative. TVET is organised at three levels: primary, secondary and tertiary level. Three types of TVET are organised: pre-vocational, vocational and technical.

TVET in Ghana faces many challenges. In 2003, the Ghanaian government commissioned a review of the educational system for strategic planning for the period 2003–2015. The Commission reported a serious neglect of the TVET sub-sector (Government of Ghana, 2003). The report concluded that the reforms introduced in the TVET sub-sector occurred in 1987. Earlier in 2002, a survey of public TVET teachers found that none of the 87 respondents wanted their own children to study TVET programmes (Anamuah-Mensah, 2004). Besides inadequate financing and the rife negative perceptions, the socio-economic environment and the contextual environment within which TVET is offered, TVET in Ghana is characterised by huge numbers of poorly educated, unskilled and unemployed youth (African Union, 2007). In addition, TVET in Ghana is characterised by uncoordinated, unregulated and fragmented delivery systems, weak monitoring and evaluation mechanisms, and poor management and ill-adapted organisational structures (African Union, 2007).

These challenges facing TVET in Ghana's Vision 2020 and the Education Strategic Plan, 2003–2015 reveal the need for strategic action. One of the problems afflicting TVET is a lack of a coherent and viable funding model. It has largely been dependant on government and the donor community. Government has spent about 8.2% minimum and 10.1% maximum of GDP on TVET over the past five years (Baffour-Awuah and Thompson, 2011).

Source	2006	2007	2008	2009	2010
Donors (Ghanaian Cedes).	25,271,400	86,948,363	100,652,087	95,067,893	64,742,440.45
Educ. Exp. as a % of GDP	8.2%	9.1%	10%	8.7%	9.8%
Educ. Exp. as a % of Total GoG Exp.	21.7%	21.0%	18.3%	21.6%	23.2%
TVET	0.9	0.6	1.1	1.8	1.5

Table 3: Expenditure on Education and TVET in Ghana (Source: Baffour-Awuah, and Thompson, 2011).

The funding model of Ghana for TVET to ensure sustainability includes the following:

- a) The quality of TVET products should be high in order to earn higher income and to justify TVET student training.
- b) Beneficiaries of TVET programmes should pay realistic fees for the training of their staff.
- c) The private sector should contribute a percentage of their earnings into a TVET fund.
- d) A common inter-ministerial fund for skills development should be established.
- e) Efforts at the exploration of legislative instruments that support the operations and function of TVET should be expedited (Boateng, 2012; Baffour-Awuah and Thompson, 2011).

Since the model is reliant on donors and the government for most of its funding, the need to involve the private sector, particularly industries and corporations, is becoming increasingly urgent. This will follow the funding model used by Germany and now being adopted by China. The question of how to get the private sector involved can only be realised through harmonisation of educational programmes, and legislation. Industries need the skills and competencies, but, unfortunately, they are not prepared to support TVET financially. It is important to include the private sector into the reforms of TVET. This is the sector that will most probably lead to a sustainable TVET funding model. There is a lot to learn from the German model, but this collaboration has not been sufficiently explored.

Development partners such as donors play a significant role in skills development and harmonisation of educational programmes in Ghana. Their expertise and financial support have been enormous. It is recommended that Ghana continue to work with its development partners to tap into donor expertise and financial support to build capacity so that the country can move away from donor dependency.

There is no doubt that TVET financing is expensive. Government should explore other models of how to fund TVET, including setting up a training fund or a skills development fund in collaboration with the private sector, its development partners as well as other stakeholders.

The comparison of the three countries suggests that South Africa has a fairly well-developed corporate base. Hence, by working with FET colleges, government and the Department of Education, they can establish the kind of skills that are relevant to the growth and development of the economy, and the sort of sustainable financial model that can generate these skills. Indeed, South Africa can borrow from the German model. The days when government was the sole planner of the economy's needs are gone. A collaborative approach is most suited to solve some of the perennial problems and thus to engender the growth and development of the economy.

2.6 Chapter Summary

This chapter has explored the policy and legislative underpinnings of the right to education in South Africa, government's vision for education, skills development and training, and the role of FET in overcoming skills shortages. It has also discussed Public Finance Management Theory focusing on the relationship between the funders and spenders of public money. This relationship is viewed as a contract on how to spend public money. The need for an adequate funding model to meet the demands of education and training as well as the challenges that the different models foreground were examined. This examination was concluded with insight into how Germany, China and Ghana view vocational education and training, as well as how they fund it.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

According to Welman et al. (2009), a research design is a plan of how a study is to be conducted. This includes finding respondents from whom information will be collected. A research design describes what is to be done with participants, with a view to finding conclusions regarding the research problem. Every research design must include a research methodology. This is the context of the research. In other words, the methodology provides and explains the logic behind a research approach as well as the instruments used to accomplish it.

The focus of this study is an evaluation of the implementation of a funding policy at FET colleges in KwaZulu-Natal Province. According to Mouton (2009:158), “implementation evaluation research aims to answer the question of whether an intervention, for instance a programme, policy or strategy has been properly implemented”. This study uses a mixed-methodology approach, that is quantitative and qualitative (Creswell, 2008). According to Mouton (2009), this type of study can be used for, “both numeric and textual data”, i.e. quantitative descriptive statistics and elements of qualitative empirical research to investigate issues.

3.2 Mixed-method Approach

This method essentially allows for the use of both quantitative and qualitative approaches to study a research phenomenon (Creswell, 2008). This approach is justified for this investigation because of the following reasons:

- a) The study seeks to investigate the effect of a funding model on public FET colleges. One way to ensure the validity of this information is to use descriptive statistical models. Statistics fall in the realm of quantitative research, hence its importance to this study.
- b) A qualitative methodology generally seeks to test the different views and perceptions about the research entity held by respondents (Creswell, 2008). In this study, the qualitative approach has some relevance because it is necessary to investigate college rectors', financial administrators' and concerned stakeholders' views of the funding model and its effects on the operations of their respective institutions.
- c) Ethical considerations are also important in any research and govern its conduct. All research must strive for honesty, integrity, objectivity and confidentiality, among other qualities (Shamoo and Resnik, 2009). This study has incorporated an ethical approach.

Furthermore, this study supports the opinion that planners have a moral obligation to understand how people feel about issues and how these affect them. To refrain from trying to understand the community's point of view (in this case that of those who are funded) is not ethically justifiable and is the same as ignoring the democratic principles of social participation. It is worth noting that, while quantitative methods can describe some behavioural changes that may occur, they usually do not reveal how people feel about these changes. Direct interaction with the respondent may be the best way to discover certain concerns.

3.3 Research Sample

The main focus of this study is FET colleges. Currently, there are fifty public FET colleges in the country (Department of Education, 2008: 8). They are typically the same in terms of structure and administrative processes. If the study were to be conducted with the entire college population of each college, it would be very time-consuming. This study, therefore, sampled three out of the nine KZN FET colleges, which were categorised as urban, peri-urban, and rural, respectively. The reason for categorising these colleges was to examine whether the geographical area of the colleges matters

when the Department of Higher Education and Training allocates financial resources to them. Some of the public FET colleges are located in poverty-stricken regions and therefore need some form of redress in order to increase access to education for communities in their areas.

Accordingly, this study used convenience and judgement sampling (Marshall, 1996:523). According to Marshall, this type of sampling requires the development of a context of variables based on the researcher's knowledge of the field of study. This study sampled three FET colleges for the reasons mentioned above, with the purpose of investigating whether the funding model is able to address the objectives of this study, as listed in Section 1.4 of this research.

3.4 Research Methodology

In any empirical research, the collection of data is at the heart of the study so that the entities of the study can be understood. This study sought to understand the effect of the funding models on public FET colleges in order to respond to the research question and hypothesis. The study used the following methods for data collection:

- a) Structured questionnaires were used as the primary method to collect data from three colleges situated in KwaZulu-Natal Province (Patten, 2011; Gillham, 2008; Foddy, 1994). This was practical as the researcher could collect data in a short period, which was cost-effective. In addition, the researcher did not have to employ others to collect data. This rendered the tool efficient, valid and reliable. The researcher was also able to analyse the data quickly and objectively (Ackryd and Hughes, 1981).
- b) Secondary sources were also used in the form of government documents, which contain some statistical information, journals and financial records from the selected college population.

3.4.1 Structured Questionnaires

This study used structured questionnaires that were sent to the selected sample.

The sample was required to respond to the questionnaires. A questionnaire is a set of questions presented to respondents to obtain useful information on a given subject.

Questionnaires are a valuable method for collecting a wide range of information. However, clearly structured questions are critical to ensuring the success of data collection (Patten, 2011: 18).

Fourteen structured questionnaires were distributed among three colleges as part of the quantitative method used to conduct the study. The questionnaires were distributed as follows: Coastal KZN College received five questionnaires; Mthashana College received five questionnaires, and Umfolozi College received four questionnaires. The latter received four because the researcher is also the principal of Umfolozi College. As was pointed out in Chapter 3, the selected sample consisted of people who are directly involved with college finances in one way or another. The structured questionnaires were used to try to ascertain the level of understanding of the funding model by the college officials. The intention was to investigate how they perceive the funding norms in relation to the adequacy of financial resources for their respective colleges.

3.4.1.1 Data Collection

Data was collected using structured questionnaires. All participants were properly informed of their right to choose to participate. It was also communicated to them that the questionnaire comprised of both multiple choice and open-ended questions. All questions were related to participants' work environments and not their personal lives.

Inappropriate questions, incorrect sequencing of questions or bad questions would render the study inaccurate since these may not reflect the views of the respondents and may also distort the researcher's own understanding of the issues in question (Cohen et al., 2004). A structured questionnaire may contain closed or open-ended questions, prepared in advance, that have been standardised and may be completed by a respondent. When used in an interview method, they are asked as they appear on the questionnaire (Patten, 2011; Gillham, 2008; Foddy, 1994).

The approximate time required to complete each questionnaire was 60 minutes. The potential benefit to the participants was a better understanding of the implementation of the funding model in the FET college environment. Participation in the research was purely voluntary and there were no payment benefits. The table below reflects the total

number of questionnaires distributed to participants and the number of questionnaires that was returned.

College	Issued Questionnaires	Collected Questionnaires
Coastal KZN	5	5
Mthashana	5	5
Umfolozi	4	4
Total Questionnaires	14	14

Table 4: Number of issued and collected questionnaires

The questionnaires were given to each college principal with the exception of Umfolozi College where the researcher is employed as the principal. Questionnaires were also issued to the deputy managers in corporate service units as well as to assistant managers in finance, student support, marketing and communications, and quality services of the selected colleges. Out of the fourteen questionnaires, five were issued to Coastal KZN College, five to Mthashana College and four to Umfolozi College. These respondents were selected because they handle college financial matters on a daily basis. They are thus in a better position to provide information relating to financial matters such as the benefits and potential financial difficulties that may arise due to the implementation of this new funding model. Furthermore, the study also conducted individual interviews with the principals of the three sample colleges. These were recorded by note taking and tape recording.

3.4.2 Primary Documents

Data was also collected in both numeric (operational budgets, income and expenditure reports) and textual (literature on public finance, corporate governance, applicable policy documents, government publications and reports) forms. Whereas some of the information in these documents was used in the literature review, some of it, especially financial records, were difficult to obtain because of confidentiality issues, which were a limiting factor.

3.5 Ethical Considerations

The need for the study emanates from the researcher's observations of the allocation of funding to FET colleges by means of the funding model, which determines how much is allocated per college on an annual basis. Since the study specifically examined the management officials responsible for managing finances and other resources, the researcher identified and included the relevant officials, who handle these matters on a daily basis, in the study.

Since the research subjects were human, some ethical measures had to be put in place to protect the participating subjects. The researcher was, and still is, a principal at one of the colleges and, as such, could not be interviewed. Therefore, only two college principals were interviewed. Furthermore, the research and interviews were only conducted after permission to conduct this research had been granted by the Head of the KZN Department of Education, Dr NSP Sishi.

All participants were accordingly asked to complete a declaration of consent form to allow the researcher permission to interview them, thus ensuring that participation was of their own free will (**see Appendix B**). The use of audio recording was treated with the strictest of confidence. As part of the protection of the research subjects, there was no video recording. In areas where written responses were requested, participants were informed that their responses would not be divulged to any unauthorised persons. Participants were informed that they would gain a better understanding of the implementation of the funding model in the FET colleges.

3.6 Chapter Summary

This chapter discussed the study's mixed-methodology approach, which includes both qualitative and quantitative methodologies. The chapter also discussed the research and sample methods, and ethical considerations.

CHAPTER 4: DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

This chapter discusses data analysis and the presentation of findings. Tables and graphs were used to organise and to present the mathematical information obtained from the questionnaires. Therefore, this chapter provides an interpretation of these tables and graphs.

4.2 Data Analysis and Interpretation

The analysis of data is based on the completed questionnaires from participants. The questionnaire is broken down into six sections covering the following topics:

- 1) College demographic information;
- 2) College revenue streams;
- 3) Advocacy for the new funding model;
- 4) Personnel costs;
- 5) Capital expenditure; and
- 6) Non-personnel and non-capital costs.

4.2.1 College Demographic Information

In section A, participants were asked to respond to four questions relating to college demographic information.

Question 1: How would you classify your college in terms of its geographical location?

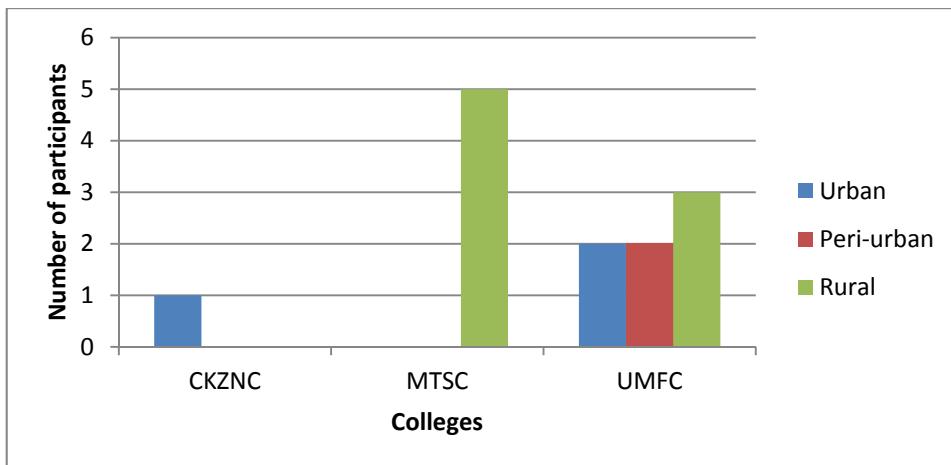


Figure 2: College demographic information

Figure 2 indicates that, out of five respondents from Coastal KZN College, only one responded and defined the college as peri-urban due to its catchment area, which is spread between an urban and rural area. Mthashana College was described by all five of its participants as a rural college, serving the very poor. Lastly, the figure indicates that Umfolozi College was described by two out of its four participants as both an urban and peri-urban college, while three participants categorised the college as rural. The complexity around the classification of Umfolozi College's catchment area was caused by the fact that some of its operational sites are found in urban areas, others in the peri-urban areas, and yet others are in deep rural KZN.

Question 2: Which catchment area is covered by your college?

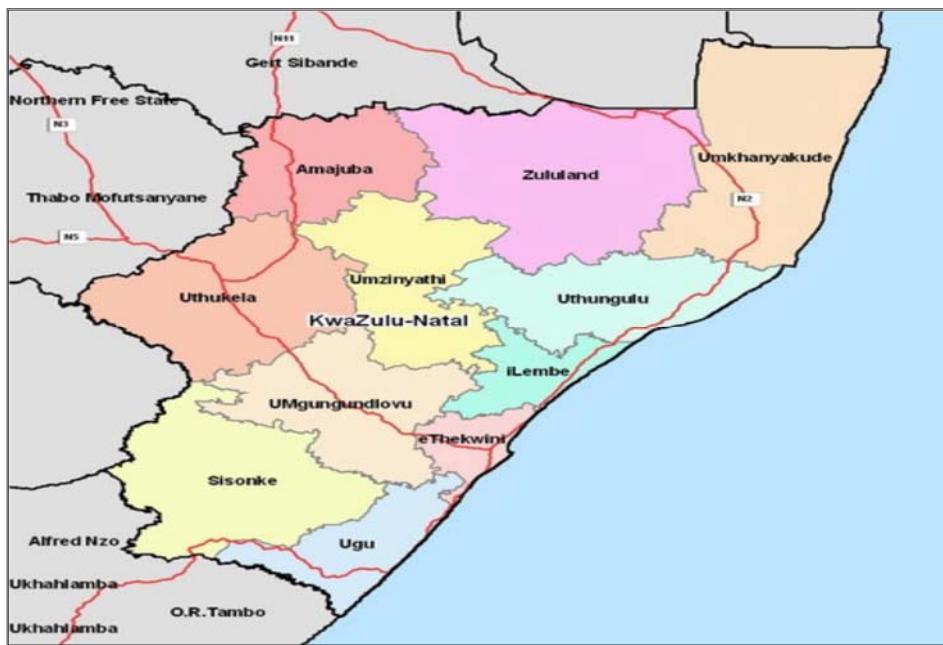


Figure 3: Map of KZN district municipalities (Source: Demarcation Board, www.demarcation.org.za)

The responses from participants indicated that Coastal KZN College operates only within eThekwin Municipality. Mthashana College operates in two district municipalities – Zululand and uMkhanyakude District Municipalities. The participants further indicated that Umfolozi College has its operations spread over the three districts of iLembe, uThungulu, and some parts of uMkhanyakude. It is evident from the map above that Coastal KZN College operates in a small area when compared to the other two colleges. Mthashana College and Umfolozi College operate in very large districts, which are also poverty-stricken municipalities. Mthashana College has campuses that are situated almost 350 kilometres away from its central administration offices in Vryheid. Participants expressed concerns about implementing effective monitoring and evaluation mechanisms due to the distances between the main college and its satellite colleges. Technology is unavailable in some rural campuses.

Figure 4 illustrates the district poverty levels. It is evident from the map (*Figure 3*) that Mthashana College operates in the poorest district areas (Vryheid and Obonjeni) followed by Umfolozi College, which covers the district areas of Ilembe and Empangeni, occupying the second position on the district poverty index (2001 Census).

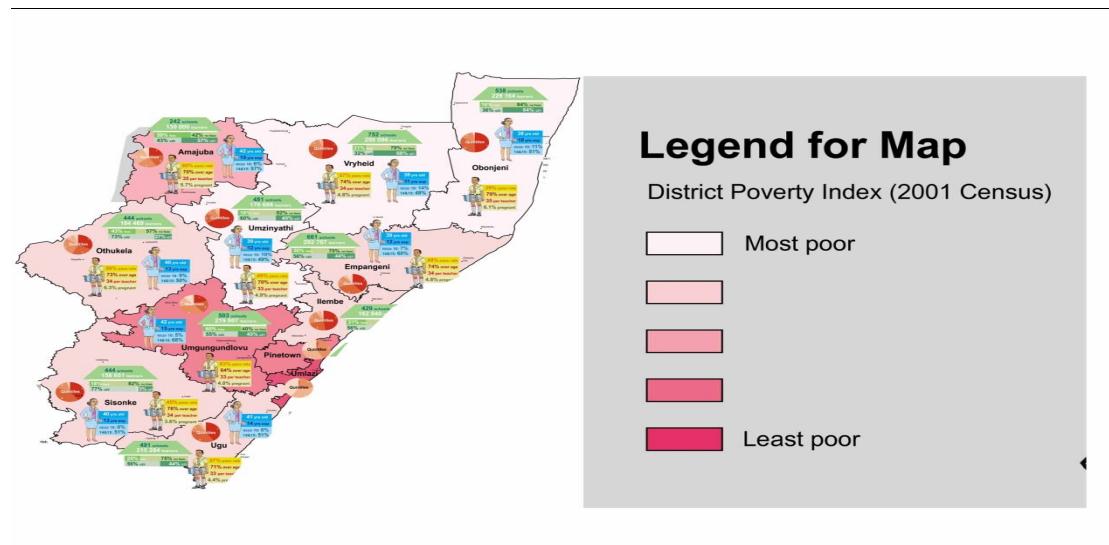


Figure 4: Map for poverty levels (Source: Snap Survey – KZN Department of Education, 2009)

Question 3: Is your funding allocation influenced by the geographical location of your college?

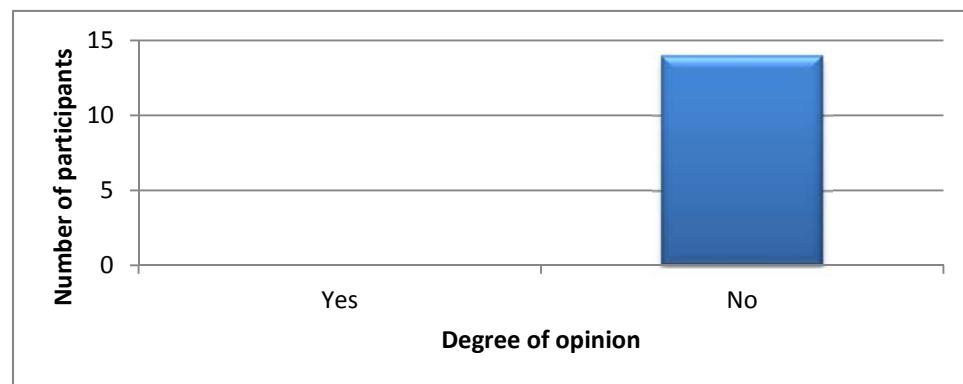


Figure 5: Linking funding to geographical location

Figure 5 indicates that all fourteen (100%) of the participants are of the opinion that funding for colleges is not linked to their geographical location. This suggests that a “one-size-fits-all” approach is applied by the department when allocating financial resources to colleges. The unintended consequences of applying such an approach mean that the poverty-stricken communities, containing colleges like Mthashana College and Umfolozi College, find themselves under extremely difficult conditions when trying to sustain their operations.

4.2.2 College Revenue Streams

In Section B, questions were asked regarding the three sample colleges' revenue streams.

Question 5: What is the income per capita in your catchment area?

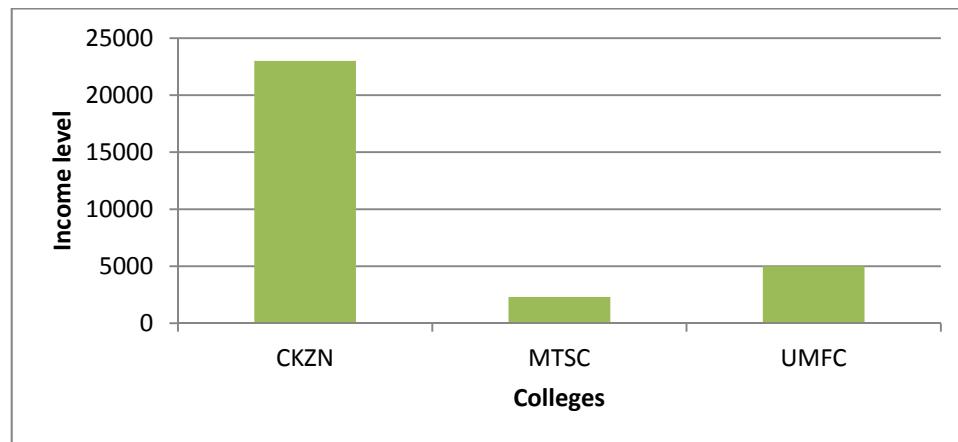


Figure 6: Per capita monthly incomes

Figure 6 shows that the Coastal KZN College is located in an area with a high per capita monthly income, while Mthashana College reflects the lowest per capita monthly income of the three colleges. The lower per capita income demonstrates that students coming from those areas experience difficulties in affording their studies.

Question 6: What are the various income sources for your college?

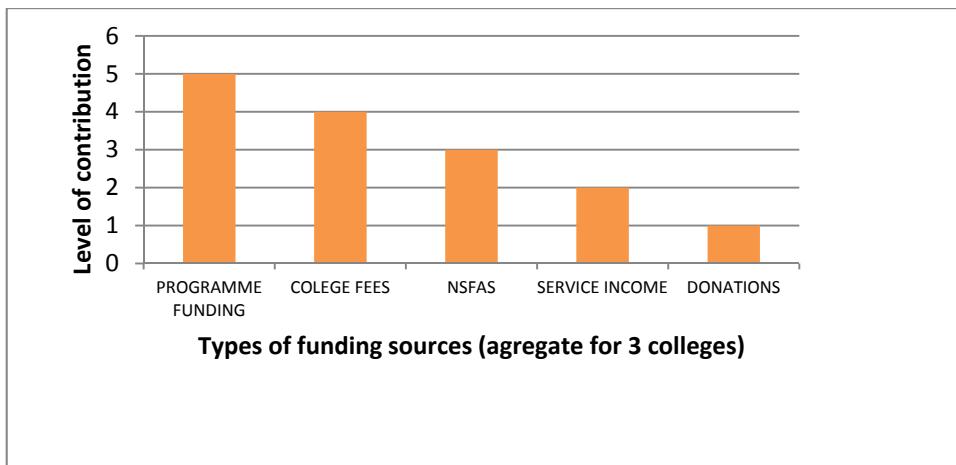


Figure 7: Sources of college income

Figure 7 indicates that the biggest allocation of college funding comes from programme funding, that is, state funding. Very little comes from donor funding. In general, this principle applies across all three colleges.

Question 7: Which percentage of the total college income is contributed by the above-listed sources?

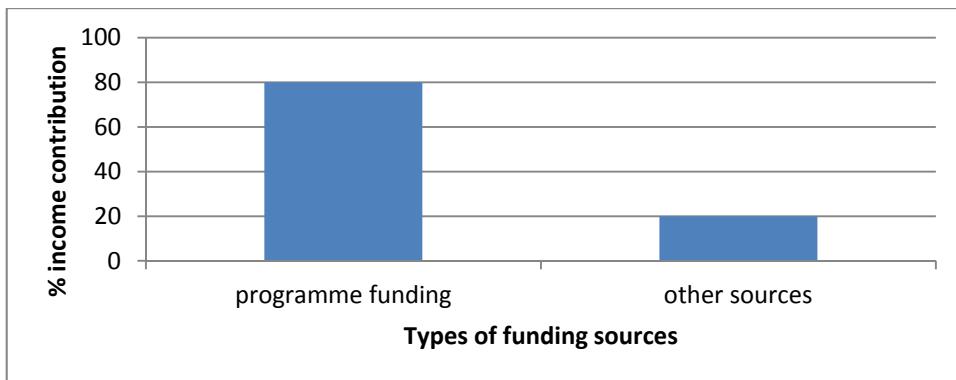


Figure 8: Income contributions from various sources

Figure 8 depicts that 80% of the college funding comes from DHET's programme funding, while 20% is made up from other sources. This implies that each college will have to find ways and means to raise the 20% portion in order to cover all its operations.

Question 8: Please indicate which college programmes are state-funded?

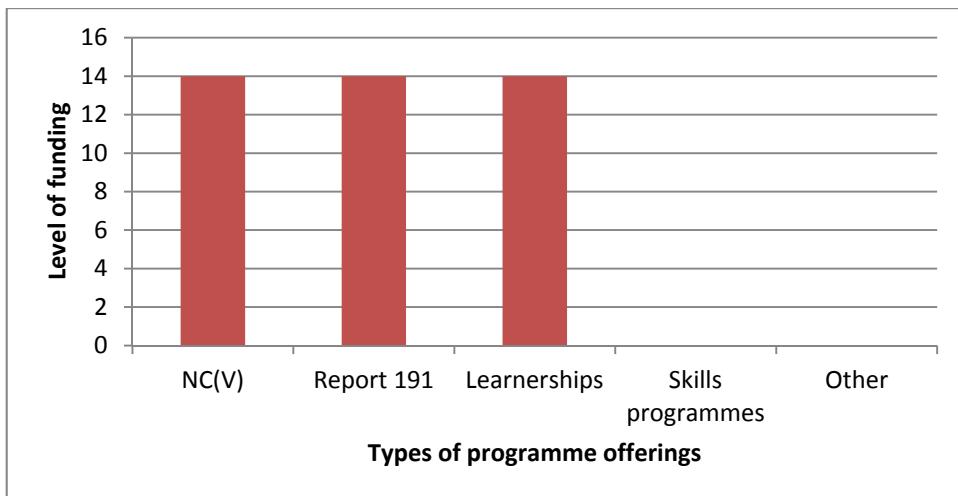


Figure 9: Programmes funded by DHET

Figure 9 indicates that there are three major college programmes that are funded by the state, i.e. NC(V), Report 191, and learnerships (SETAs). However, the study also indicates that more programmes are on offer than the three being funded. This poses challenges of affordability to students who enrol for unfunded programmes.

Question 9: Please indicate what percentage of the state funding is directed towards offering such programmes?

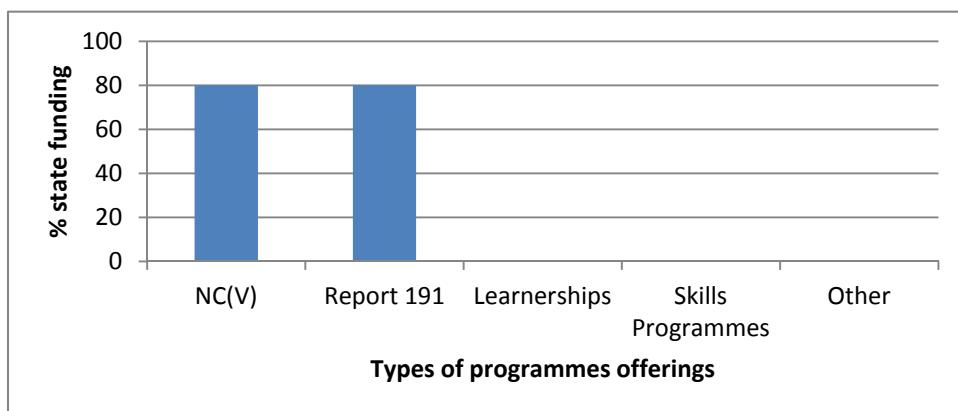


Figure 10: Percentage of DHET funding contribution to programme offerings

Figure 10 depicts that 80% of the college grant is allocated towards the state-funded programmes, i.e. NC(V) and Report 191. Participants did not indicate how much funding is directed towards learnerships.

Question 10: Does the college offer any additional programmes other than those that are state-funded?

All participants (100%) responded positively that their college does offer other programmes that are funded by the students themselves or private funders. The study also indicated that there are certain government training projects that are undertaken through colleges, including SETA-sponsored programmes.

4.2.3 Advocacy for the New Funding Model

Section C concentrated on questions regarding advocacy for the new funding model.

Question 11: Please explain what method is used by the Department of Higher Education and Training to allocate funds to FET colleges?

According to responses from all (100%) of the participants, DHET uses a programme cost funding method that focuses only on exchequer programmes (NCV and Report 191). The exchequer programmes refer to the state-funded training programmes, which are NC (V) and Report 191. The method does not take into account any other variable costs such as capital expenditure.

Question 12: Do you fully understand how this method is applied?

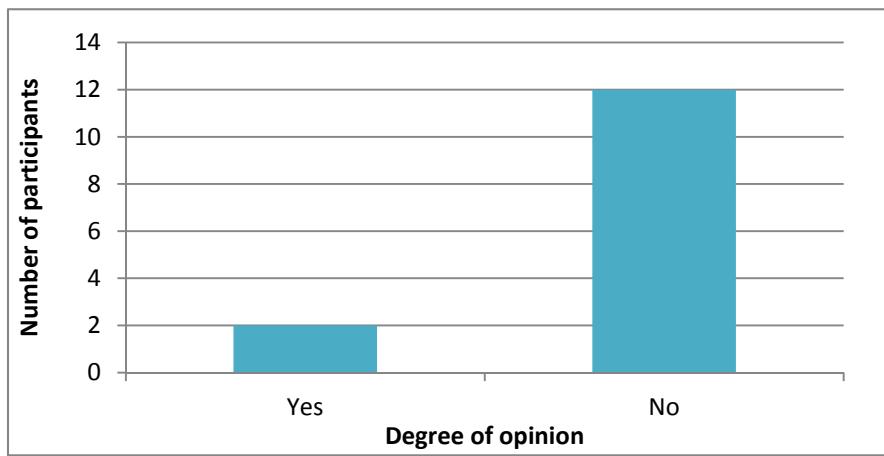


Figure 11: Level of understanding of the funding model

Figure 11 shows that 90% of the participants do not have a full understanding of how the funding model works.

Question 13: Did you ever receive any training on how this funding model is applied?

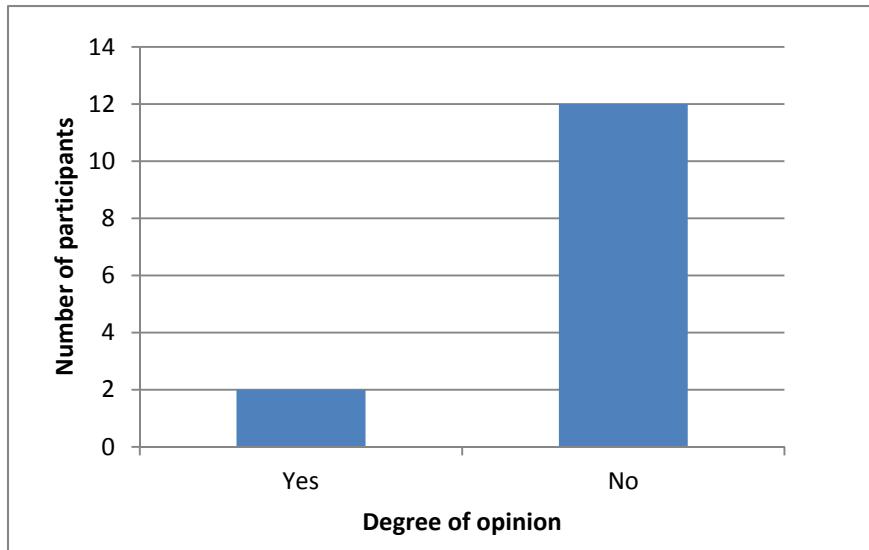


Figure 12: Training Received on Funding Model

Question 14: If your answer is yes to Question 13, who provided such training and when?

Figure 12 above depicts that only 14% of the participants indicated that they received some kind of informal training. This was through the operational planning workshop conducted by JET consultants.

Question 15: Was the training helpful to your team?

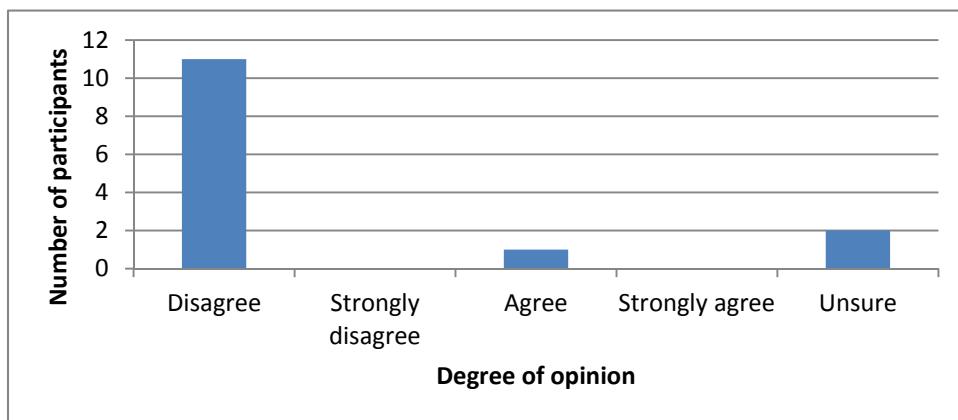


Figure 13: Degree of satisfaction about the training provided

Figure 13 indicates that almost 80% of the participants did not find the training helpful. This finding indicates that the majority of the participants did not receive proper training on how the funding model works, causing them to rely only on general knowledge.

4.2.4 Personnel costs

Section D of the questionnaire focussed on personnel costs.

Question 16: What is the total number of employees in your college (persal and non-persal)?

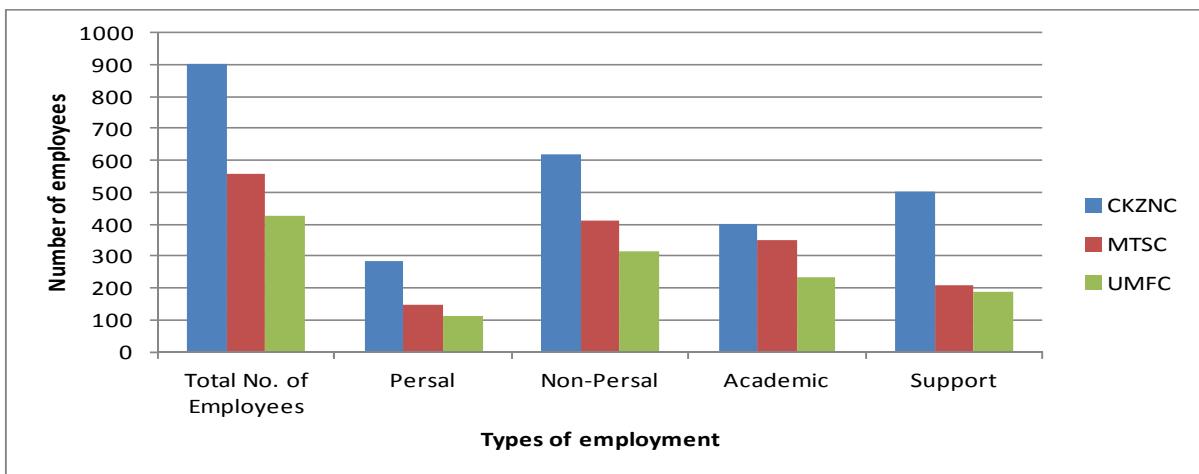


Figure 14: Number of employees and type of employment

Figure 14 depicts that Coastal KZN College has the highest number of employees (904) when compared to the other two colleges. Of importance is the fact that all colleges seem to have a higher number of non-persal employees when compared to persal employees. The persal employees refers to the employees paid through government payroll system. The non-persal employees are those employees that are paid through a different payroll system other than the government's one. This means that the majority of college employees are employed by college councils; hence, their salaries and benefits must be catered for by the college councils. This implies that colleges with limited financial resources may find it difficult to provide for the needs of their employees especially pension and medical aid.

Question 17: What percentage of the state funding portion is allocated towards personnel costs?

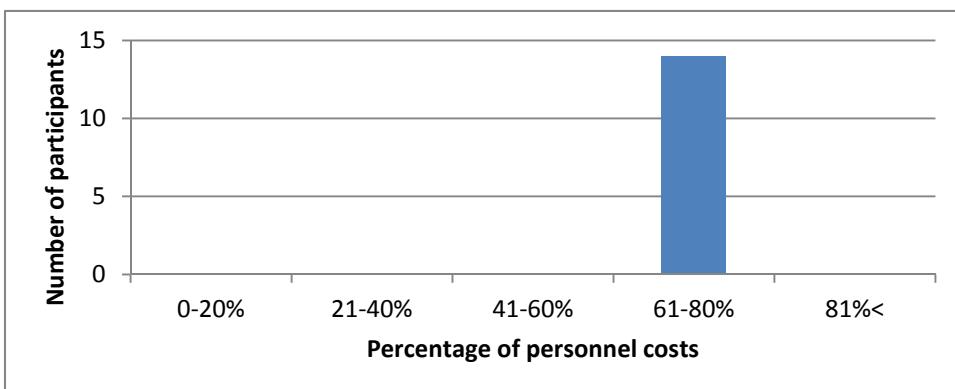


Figure 15: State funding portion towards personnel costs

Figure 15 indicates that all colleges spend between 61% and 80% of their total budget on personnel costs. This leaves only between 39% and 20% for colleges to spend on other college operational costs.

Question 18: In your own financial analysis, do you think that this funding is adequate to cover your college personnel costs including staff benefits?

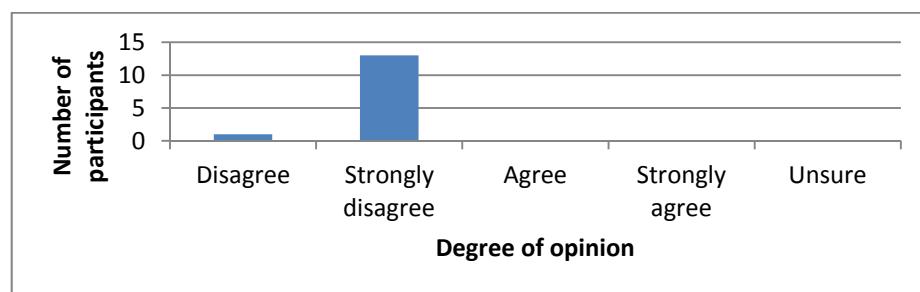
**Figure 16: Adequacy of funding towards personnel costs**

Figure 16 above depicts that almost 90% of participants indicated that the state funding allocated towards personnel costs is not adequate to cover all costs.

4.2.5 Capital Expenditure (CAPEX)

Question 19: What percentage of the state funding is allocated towards capital expenditure (CAPEX)?

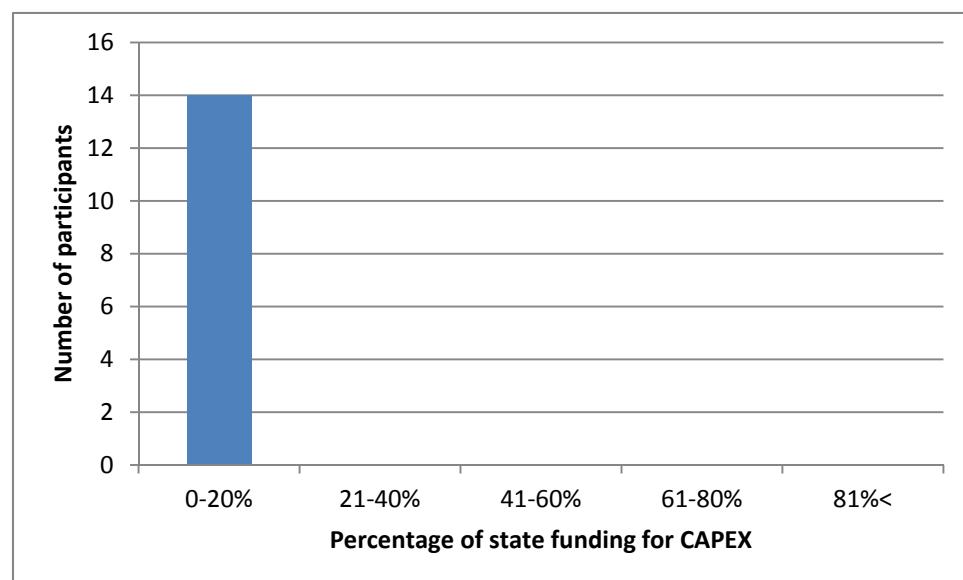


Figure 17: State funding portion towards capital expenditure

Figure 17 reflects that there is no state funding allocated towards capital expenditure. This implies that colleges cannot build new classrooms, workshops or any other necessary buildings in order to respond to their expanded mandate of increasing enrolments. This reveals that colleges need to source funding from elsewhere if they intend to expand as well as keep up with the latest developments in the industry.

Question 20: In your own financial analysis, do you think that the allocated funding is adequate to cover your college operations?

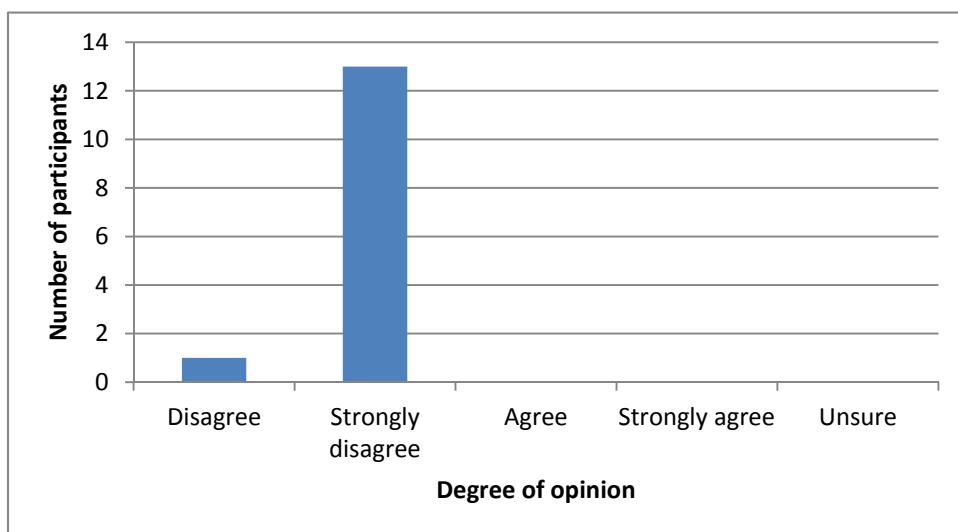
**Figure 18: Adequacy of state funding towards CAPEX**

Figure 18 depicts that almost 90% of the participants strongly disagree that state funding allocated towards capital expenditure is adequate. This poses difficulties for colleges to expand their operations due to the lack of adequate facilities, which are not catered for in the funding model.

Question 21: Does your college provide student accommodation?

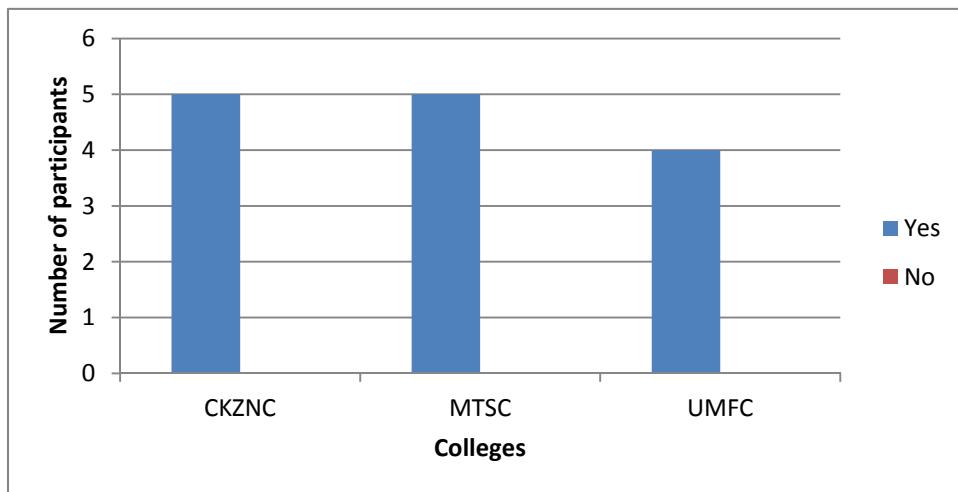


Figure 19: Provision of student accommodation

Figure 19 indicates that all three colleges offer student accommodation. In addition, when taking into account the responses to question 20, it is clear that colleges that offer accommodation to their students also experience difficulties maintaining as well as building additional residences due to inadequate CAPEX funding.

Question 22: If yes, what services are offered in your student residence?

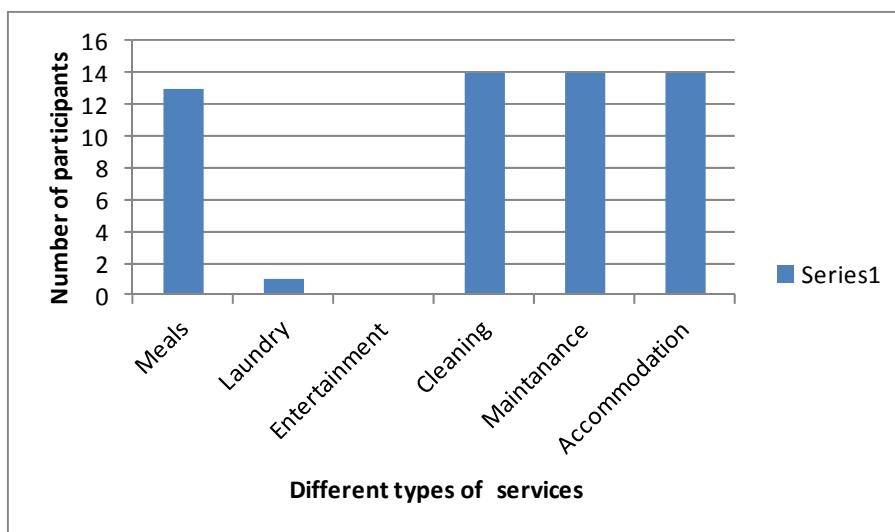


Figure 20: Services offered by student residences

Figure 20 indicates that some essential services (laundry and entertainment) are not offered in college residences across all three participating colleges.

Question 23: How many students reside in your college residence?

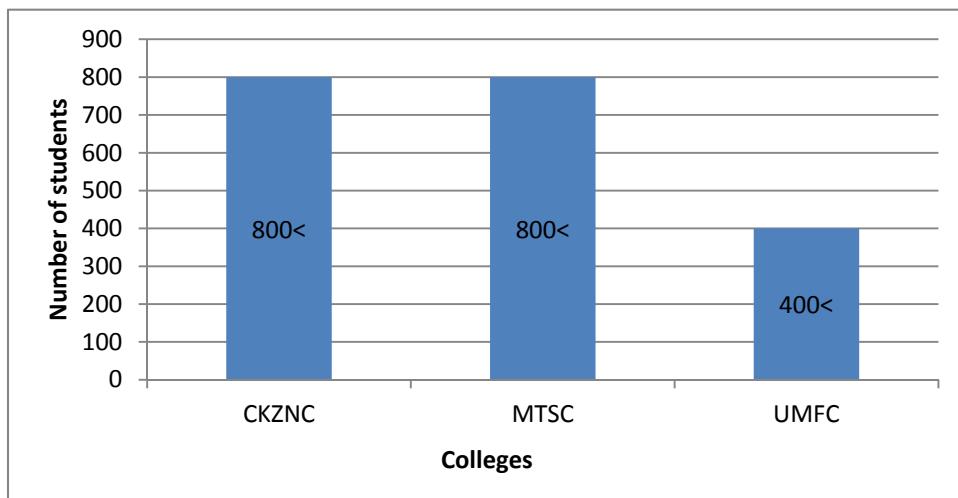


Figure 21: Number of students living in college residences

Figure 21 depicts that both Coastal KZN College and Mthashana College accommodate over 800 students annually, while Umfolozi College accommodates over 400 students per annum.

Question 24: How much does the college charge for annual residence fees per student?

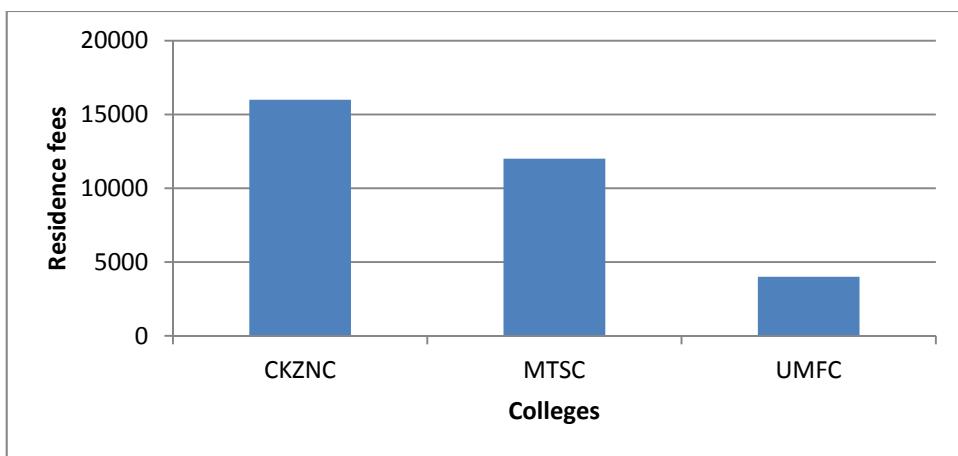


Figure 22: Residence fees per college per annum

Figure 22 indicates that, on the hand, Coastal KZN College charges around R16 000 per student per annum for accommodation and meals. On the other hand, Mthashana College charges R12 000, R4 000 less than Coastal KZN College, while Umfolozi

College charges the least amount at R4 000 per student per annum. This finding reflects inconsistency in student residential fees among colleges.

Question 25: How do students pay for both accommodation and meals?

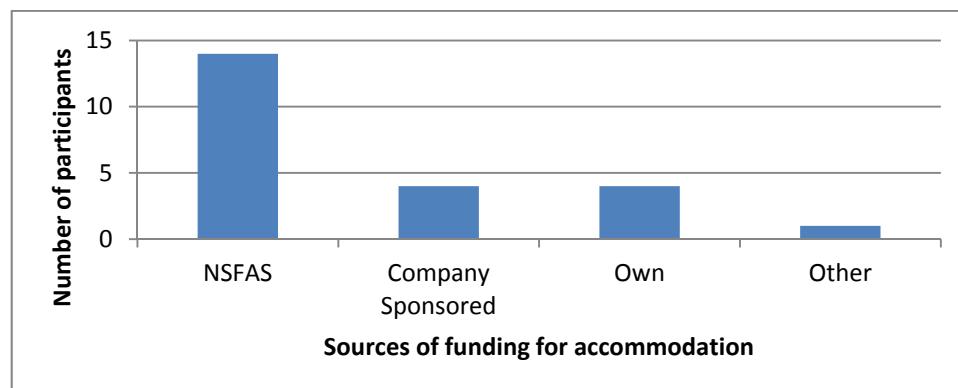


Figure 23: Funding streams for student accommodation

Figure 23 shows that the biggest portion of residential fees comes from NSFAS while a few students are sponsored by companies or are self-sponsored. This reflects that the majority of college students rely mostly on state funding, as they cannot afford their residences due to high poverty levels in the areas where they come from.

4.2.6 Non-personnel and non-capital costs

Question 26: What percentage of the state funding is allocated towards non-personnel, non-capital (NPNC) expenditure?

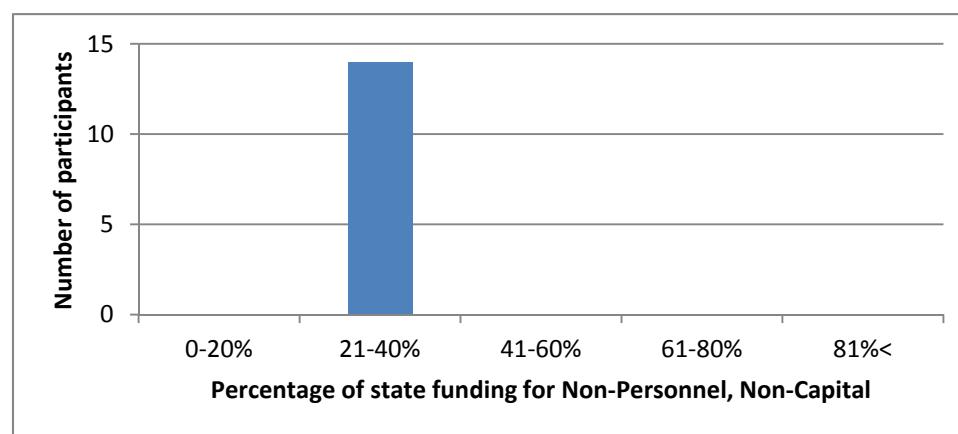


Figure 24: Non-personnel, non-capital expenditure

Figure 24 illustrates that colleges spend between 20% and 40% of their state grant towards non-personnel, non-capital expenditure (NPNC). It is clear that the largest portion of their state grant is channelled towards personnel costs. It is against this backdrop that colleges argue there is no allocation to cover their capital expenditure. As a result, all participating colleges indicated that they have an infrastructure backlog.

Question 27: Does the said allocated funding in question 26 above cater for the college management information system?

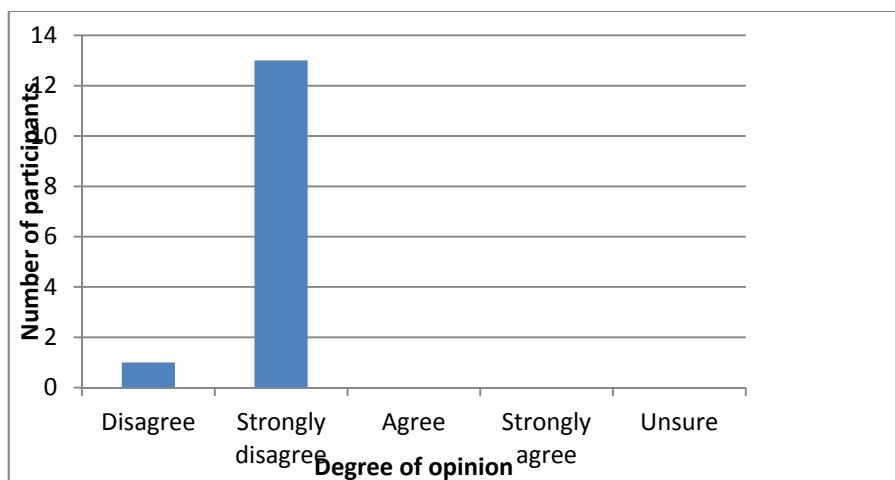


Figure 25: Funding for college management information systems

According to *Figure 25* above, 90% of participants felt that funding allocated towards NPNC is inadequate for colleges to cater for their management information systems.

Question 28: In your own financial analysis, do you think that this funding is adequate to cover all your other college operations?

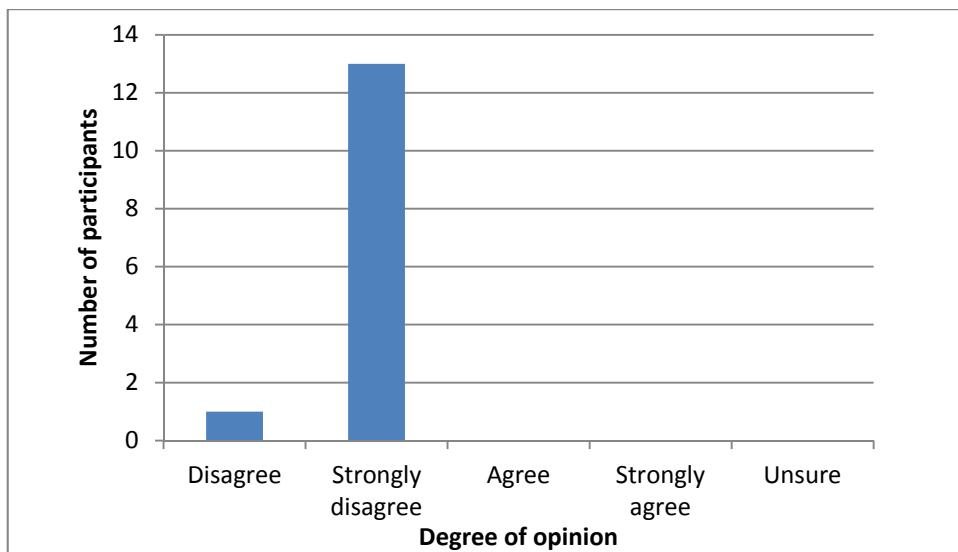


Figure 26: Adequacy of state funding for NPNC

Figure 26 depicts that more than 90% of the participants strongly felt that funding allocated towards NPNC is inadequate for colleges to cover all their operational costs.

Question 29: If you disagree or strongly disagree, what other items are omitted by the new funding model?

The participants who either disagreed or strongly disagreed cited the following items, which they felt were omitted by the new funding model:

- Consumables for ISAT practical work.
- Workshop trainers earn high salaries that are not catered for in the college budget.
- Engineering workshop assistants (funding model caters for a 1:30 lecturer-student ratio while engineering workshops or laboratories can only accommodate a 1:15 lecturer-student ratio, which requires assistants).
- Capital expenditure (physical infrastructure development, maintenance and latest equipment for teaching and learning).
- Support staff at the college's central office.
- Actual cost of programmes including textbooks.
- Actual cost of student accommodation and meals.

- h) Sports, arts and culture (extramural activities for students).
- i) Student support services.

Question 30: Please provide any other information regarding the new funding model.

Only 21% of the participants responded to this question, thus:

- a) The funding model does not take into account that significant expansion and upgrading of college infrastructure and facilities are necessary for the college to grow in line with the demands of DHET and its communities. Furthermore, the need for student support services is growing each year, both in number and scope, and the funding model is not being adjusted accordingly. As the range of activities that the college is required to perform grows and evolves, staffing needs are shifting towards better-qualified and more specialised staff, but it is not possible to pay the salaries required to recruit such professionals.
- b) Rural colleges should be funded differently from urban colleges.
- c) There must be a baseline model that will consider the type and location of college, i.e. rural colleges should be funded differently from urban ones. Development of infrastructure should also form a base for the funding model.

4.3 Presentation of Findings

4.3.1 Understanding of the funding model by college officials

The study findings revealed that the majority of the respondents, as shown by *Figure 11* and *Figure 12*, were not well acquainted with the funding model or with how it works. College officials who handle financial matters of the college should have a full understanding of how the funding model works for its effective implementation. Unfortunately, the findings show that there has never been any kind of formal training for all college employees involved in the financial matters of the colleges. The study revealed a need for an advocacy campaign as a way of informing and educating those involved in the finance units of the respective colleges. Advocacy would have assisted in addressing the structural and systematic causes of poverty through transformation of practices, attitudes and policies that perpetuate inequality and injustice. The importance of advocacy cannot be overemphasised in any successful public policy implementation.

4.3.2 Implications of the funding model on a college's geographical location

The study revealed that colleges are not funded in terms of their geographical location. The funding model is thus grossly skewed in favour of those colleges located in urban areas over those found in peri-urban and rural areas. Furthermore, the funding model is number-driven as it works in favour of those colleges, especially the urban colleges that can generate more full-time equivalents (FTEs).

The study findings revealed that the policy implementation seems to be in contrast with the Constitution of the Republic of South Africa (Act 108 of 1996) (Section 29 (1)), which states that, “everyone has a right to a basic education, including adult basic education, and to further education, which the state, through reasonable measures, must make progressively available and accessible”. This is further emphasised by the National Student Financial Aid Scheme (NSFAS) Ministerial Review Committee Report (2012:123), which states that,

most rural colleges are small and the current funding norms appear to be inappropriate ... [T]he majority of students in this sector are socio-economically disadvantaged, unlike the more diverse socio-economic mix in higher education ... [T]his calls for expansion of the state subsidy for this sector[,] taking into account student needs[,] particularly with regard to transport, meals and accommodation, particularly in peri-urban and rural areas.

4.3.3 Implications of the Funding Model on Non-exchequer Programmes

The study also revealed that, according to the funding model, all travel and accommodation must be accounted for in the total allocation to each student, yet it is unclear as to how this calculation must be made. Nowhere in the college's statistical information are the geographical distances indicated that students are travelling, and yet an allocation is provided from which travel and accommodation must be funded. It is evident from this finding that colleges are treated with a “one-size-fits-all” model, which severely disadvantages peri-urban and rural colleges.

The subsequent promulgation of the FET Act 16 of 2006 resulted in an increased operational mandate for these colleges. This prompted a need for colleges to expand their mandate to go beyond their normal exchequer programmes of NC (V) and Report 191. Tessaring and Stavrou (2002) support this notion:

It is necessary to introduce mechanisms to ensure that continuing training opportunities and resources are equitably distributed between enterprises – especially SMEs – sectors and individuals, while taking care to tie the financing of training to output.

Colleges are expected to respond to a number of training needs from private sector companies, various government departments and other community needs. One such programme is a bridging course for students who did not obtain good results in mathematics and science. These students can enrol at an FET college to complete only the outstanding subjects. The bridging course is a highly intensive one-year course designed for high school leavers entering the college but without the minimum entry requirements for either mathematics or science. The programme is aimed at helping them improve their high school marks as well as building their confidence in entering the college environment.

The study further revealed that the funding model caters only for the traditional exchequer programmes (see *Figure 9*). Although learnerships also appear on the list of programmes funded by the state, the fact is that they are funded through SETA funding, which is drawn from the National Skills Fund. The findings reveal that funding for non-NC (V) and non-Report 191 programmes is still vital to address the skills shortage in South Africa.

4.3.4 Implications of the funding model on personnel costs

The findings indicated that the sampled colleges have a higher number of non-personal employees when compared to personal employees. The implication of this is that colleges must then make their own provisions to cover salaries and benefits for all college employees. Unfortunately, the funding model makes it difficult for colleges to offer similar incentives to both personal and non-personal employees. The situation is exacerbated by the fact that those employees who are on the college payroll end up receiving less benefits than those employees who are on governmental payroll. This notion is supported by the NSFAS Ministerial Review Committee Report (2012:114), which states that, “the FET college allocation is inadequate given the sector’s many challenges – not least in attracting appropriately-skilled educators”. The situation is rife in rural colleges, which are unable to attract suitably qualified staff due to small personnel budgets.

The other important finding is that, as colleges spend more than 60% of the total funding allocation towards personnel costs, there is very little left to cover other operational costs. This predicament may severely compromise service delivery of items such as learner and teacher study materials, and subsequently lead to unnecessary student unrests. Colleges may not have enough money to do basic maintenance on existing infrastructure and for any other necessary operational items.

The study further revealed a lecturer-to-student ratio of 1:30 for engineering programmes, which is problematic for practical training in workshops where only 1:15 ratio can be accommodated. Furthermore, it also contradicts current legislation on training requirements in terms of the number of students to lecturers, space requirements, Occupational Health and Safety (OHS) requirements and the actual size of workshops at colleges. Colleges end up hiring workshop assistants who are not included in the Funding Model, but who put a strain on an already thin and inadequate college budget.

4.3.5 Implications of the Funding Model on Non-personnel, Non-capital Costs

In the findings as depicted in *Figure 24*, colleges end up with between 20% and 40% of their total budget allocation going towards non-personnel and non-capital costs, as indicated in section 4.2.6 above. This situation can render colleges dysfunctional due

to an inadequacy of funding to cover their operational overheads. The major contributing factor is that a big slice of the college budget goes towards personnel costs.

4.3.6 Implications of the Funding Model on Capital Expenditure

The study revealed that the funding model does not cater for any capital expenditure that has been earmarked for the building of new physical college infrastructure such as classrooms, simulation rooms, engineering workshops and any other laboratories. This finding poses challenges toward one of the national imperatives, which is to increase access in colleges. It is clear that colleges will experience limitations in terms of education and training infrastructure, and thus be compelled to look at other alternative modes of delivery in order to increase their enrolments in the near future.

4.4 Chapter Summary

This chapter discussed data collection processes, responses to the questionnaires, data analysis and interpretation as well as findings. The analysis is based on the set of questions that were asked in the questionnaire. The data was then presented using graphs based on the thirty questions that discussed the different funding models. The findings of this research study are then drawn from the data analysis of completed questionnaires and informed by the available literature. The study findings indicate a number of issues that need to be considered when implementing the funding model for public FET colleges in order to achieve a fundamental and far-reaching transformation of the FET college sector. The resource provisioning, especially funding of the sector, is very critical to ensure that South African citizens receive a high quality technical and vocational education, which is a requisite for the development of the economy (Akoojee and McGrath, 2008; Akoojee and McGrath, 2007).

The findings also reveal that changes in the institutional landscape of the FET college sector, supported by changes in the legislative framework, also provide good grounds for the review of the funding model. The FET legislative framework highlights the critical role that the public FET colleges have to play in addressing some of the socio-economic challenges that the country is facing. The issue of a high youth unemployment

rate as well as the increased number of people dependent on social grants gives weight to a special focus on skills development (Department of Education, 2008).

The findings are summarised in terms of the responses given by the participants in the completed questionnaires. It is also crucial to indicate that the chosen sample of participants consists entirely of officials in each of the chosen colleges. Their responses are based on their experiences, as they are involved in matters of funding at the colleges. However, the researcher did not form part of the selected sample in his institution.

CHAPTER 5: CONCLUSION

5.1 Introduction

This chapter presents the recommendations and concluding remarks of the study. Furthermore, it provides a link between the intended objectives of the study and the findings as well as recommendations for the future funding of Further Education and Training (FET) colleges.

5.2 Recommendations

Evidence following the discussion in Chapter 4 indicates that FET colleges suffer from severe funding issues and perpetually experience budgetary deficits. The aforementioned challenge could partly be explained by the funding model used, namely that the bulk of the funding come from government. This study recommends, firstly, that government should continue funding FET colleges through subsidy and conditional grants as well as through the National Skills Fund levy allocation.

Secondly, government and FET colleges should actively partner with both public and private sector institutions such as SETAs as well as non-governmental organisations such as UNESCO to source alternative funding. A good case that can be emulated from the German funding model. The German model essentially mobilises training and vocational colleges to source funding almost entirely from the private sector. This study believes that a partnership between government and the private sector is a sustainable funding model. Crosser and McGrath (2003) further emphasises the fact that the new system of funding options that have developed for the FET college sector will require a move from a previously reactive college approach to one which actively engages with South Africa's economic and development challenges. In addition, by providing funding, there will be other spin-offs; for instance, the private sector will streamline the curricula of FET colleges so that the product coming out of the colleges meets the private sector's labour demands.

Thirdly, the study recommends that the Funding Model should incorporate non-NC(V) and non-Report 191 as well as non-formal programmes, including skills programmes for responsiveness to both industry and community needs. Fourthly, provisions should be made for research-curricula, other auxiliary services such as marketing and communication, and innovation and development, which are critical for the growth of the college sector.

In addition, consideration should be given to ensuring that the Funding Model incorporates capital funding for infrastructure development in line with the DHET's expansion model for FET colleges. College network infrastructure also cannot be excluded, including all related business management systems for colleges. The funding model should include all student support services-related costs such as psychological and wellness support, accommodation, travel and meals, and materials and consumables for continuous assessment. Colleges are expected to affiliate with various bodies such as the South African College Principals Organisation, Further Education and Training Colleges Employer Organisation, and others. Unfortunately, not all the aforementioned costs are included in the Funding Model, yet they are vital in enabling colleges to improve their services, especially when colleges share best practices provided by the bodies with which they are expected to affiliate.

Finally, rural colleges need to be catered for differently from the urban-based colleges in order to deal with issues of redress and equity in the sector. This consideration should be extended in terms of the staffing norms for colleges, as it must be re-emphasised that a “one-size-fits-all” model does not work

5.3 Conclusion

This study explored the current model of FET funding. This is not a common research area and consequently not much literature is available to explore its intricacies and complexities. It is an area that holds great potential for economic development for the Republic of South Africa.

The current study investigated the current Funding Model for FET Colleges in South Africa. Evidence in the study suggests that FET colleges are mostly funded by government. This funding is, however, inadequate to meet all the FET colleges' needs in terms of various aspects such as infrastructure, personnel and student funding.

The study was unable to establish the strength of partnerships, which FET colleges in both urban and rural areas have with the private sector. This may be explained either by the fact that the researcher did not actively seek this data or that a partnership between FET colleges and the private sector at a meaningful level is non-existent. A definitive conclusion on this matter is not possible at this point. Nevertheless, it must be pointed out that a partnership will go a long way in allowing FET colleges to source other funding and avoid exclusive dependence on government funds.

It is quite evident that FET colleges do raise funds through school fees. While this is a positive trend, the exact amount of money collected and where this money is spent are unclear. Furthermore, colleges do encounter financial shortfalls.

Finally, it seems that a disproportionate amount of money is spent on personnel salaries and benefits. This implies that less is spent on infrastructure and on students' scholarly needs. This is due to the restricted nature of FET funding models.

In summation, this study observes that FET colleges should revisit the funding model currently employed in colleges. Dependence on government is evidently an inadequate source of funding. This study suggests that a partnership between FET colleges and the private sector holds a sustainable and viable prospect for funding FET colleges, which will aid the ultimate goal for FET colleges to rethink their funding models.

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APPENDIX A



UNIVERSITEIT•STELLENBOSCH•UNIVERSITY
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QUESTIONNAIRE

Thank you for participating in the study being conducted by Mr. SZ Zungu as partial fulfilment of a Masters' Degree thesis in Public Administration (MPA) at Stellenbosch University. This study intends to evaluate the implementation of the new funding model for Further Education and Training Colleges in South Africa.

The survey can be completed in only 60 minutes. Please complete by 31 March 2012. We appreciate your time and valuable input in completing this survey. If you have any questions, please e-mail: zungus.umfcao@feta.gov.za

SURNAME: _____ **NAME:** _____

COLLEGE NAME: _____

POSITION HELD: _____ **NO. OF SERVICE YEARS:** _____

A. COLLEGE DEMOGRAPHIC INFORMATION

1 How would you classify your college in terms of its geographical location?

Urban	Peri-urban	Rural

2 Which catchment area is covered by your college?

eThekwini Metro	uThungulu District	ILembe District	UMkhanyakude District	Zululand District

3 Is your funding allocation influenced by the geographical location of your college?

Yes	No

4 If yes, state how?

B: COLLEGE REVENUE STREAMS

5 What is the income per capita in your catchment area?

R

6 What are the various income sources of your college?

1st Source	
2nd Source	
3rd Source	
4th Source	
5th Source	

7 How much percentage of the total college income is contributed by the above listed sources?

Revenue source	0% – 20%	21% - 40%	41% - 60%	61% - 80%	81% ≤
1st Source					
2nd Source					
3rd Source					
4th Source					
5th Source					

8 Please indicate which college study programmes are funded through state funding

Type of Programme	Yes/No
National Certificate (Vocational)	
Report 191	
Learnerships	
Skills Programmes	
Other	

9 Please indicate what percentage of the state funding is directed towards offering such programmes

Type of Programme	% State Funding	No. of students
National Certificate (Vocational)		
Report 191		
Learnerships		
Skills Programmes		
Other		

10 Does the college offer any additional programmes other than those that are state funded? If yes, please state how are these programmes funded?

C: ADVOCACY ON NEW FUNDING MODEL

11 Please explain what method is used by the Department of Higher Education and Training to allocate funds to FET colleges?

12 Do you fully understand how this said method is applied? Please explain?

13 Did you ever receive any training on how this funding model is applied?

Yes	No

14 If your answer is yes in no. 13, who provided such training and when?

15 Was the training helpful to you or your team?

Disagree	Strongly disagree	Agree	Strongly agree	Unsure

D: PERSONNEL COSTS

16 What is the total number of employees in your college (persal and non-persal)

Total number of employees	Persal	Non-Persal	Academic	Support

17 What percentage of the state funding portion is allocated towards personnel costs?

0% – 20%	21% - 40%	41% - 60%	61% - 80%	81% ≤

18 In your own financial analysis, do you think that this funding is adequate to cover your college personnel costs including staff benefits?

Disagree	Strongly disagree	Agree	Strongly agree	Unsure

E: CAPITAL EXPENDITURE (CAPEX)

19 What percentage of the state funding is allocated towards capital expenditure (CAPEX)

0% – 20%	21% - 40%	41% - 60%	61% - 80%	81% ≤

20 In your own financial analysis, do you think that the allocated funding is adequate to cover your college operations?

Disagree	Strongly disagree	Agree	Strongly agree	Unsure

21 Does your college provide student accommodation?

Yes	No

22 If yes, what services are offered in your student residence?

meals	laundry	entertainment	cleaning	maintenance	accommodation

23 How many students reside in your college residence?

1 – 200	201 - 400	401 - 600	601 - 800	801 ≤

24 How much does the college charge for the annual residence fees per student?

R

25 How do students pay for both accommodation and meals?

NSFAS Bursary	Company Sponsored	Own	Other

F: NON-PERSONNEL AND NON-CAPITAL COSTS

26 What percentage of the state funding is allocated towards non-personnel, non-capital (NPNC) expenditure?

0% – 20%	21% - 40%	41% - 60%	61% - 80%	81% ≤

27 Does the said allocated funding on no. 26 above cater for the college management information system?

Disagree	Strongly disagree	Agree	Strongly agree	Unsure

28 In your own financial analysis, do you think that this funding is adequate to cover all your other college operations?

Disagree	Strongly disagree	Agree	Strongly agree	Unsure

29 If you disagree or strongly disagree, what other items are omitted by the new funding model

1st item	
2nd item	
3rd item	
4th item	

30 Please provide any other information regarding the new funding model

THANK YOU

APPENDIX B



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DECLARATION OF INFORMED CONSENT TO PARTICIPATE IN RESEARCH PROJECT

INTRODUCTION

Please be informed that I, Mr. SZ Zungu, Principal of Umfolozi FET College in KwaZulu-Natal am undertaking research for a Masters in Public Administration (MPA) thesis on an evaluation of the implementation of new funding model for Further Education and Training colleges and its financial implications thereof in KwaZulu-Natal. The research and interviews will be limited to the following institutions:

- Coastal KZN FET College
- Mthashana FET College
- Umfolozi FET College

Permission to conduct this research has been obtained from Dr. N.S.P. Sishi, Head of KwaZulu-Natal Department of Education. In order for me to collect data from the officials of the sample colleges, I need to obtain your consent to proceed with the administration of a questionnaire and to interview the selected officials.

THE THESIS TITLE:

An evaluation of the new funding model for Further Education and Training Colleges and its financial implications.

Study Objectives:

- **General Objective**

The general objective of this study is to evaluate the effects of the implementation of the new Funding Model for FET Colleges at an organisational level with a special focus on the financial implications of these colleges.

- **Specific Objectives**

The following specific objectives for the study were identified:

- To describe the policy and legislative underpinnings relating to norms and standards for Funding Public FET colleges.
- To describe and explain the new Funding Model for FET Colleges.
- To contrast the old and the new funding model and determine implications in terms of the college financial resources.
- To identify alternative strategies that can be implemented to avert potential unintended consequences of this new Funding Model for FET Colleges.

NAME AND CONTACT DETAILS OF THE RESEARCHER

The research is being conducted by Mr. SZ Zungu as part of a Masters in Public Administration (MPA) degree. His contact details are as follows:

Physical address: 44 Knorhaanbaai, Meer en See, Richards Bay, 3900
Postal Address: P.O. Box 2090, Empangeni, 3880
Telephone: 035-9029502 (office) or 0829494380 (mobile)
E-mail: ZunguS.UMFCAO@feta.gov.za

NAME AND CONTACT DETAILS OF SUPERVISOR

The research work is being supervised by Prof. G Woods.

Postal address: University of Stellenbosch
School of Public Management and Planning
P.O. Box 610
Bellville

7535

Telephone: 021-9184400

EXPLANATION OF HOW THE SUBJECT WAS IDENTIFIED

The need for the study emanates from the fact that the researcher has observed the allocation of funding to FET colleges by means of a funding model over the past five years. There seem to be challenges faced by these colleges in terms of adequacy of the allocated resources including funding using the old funding model.

The observation of this disjuncture has precipitated the need to investigate how the new funding model will fare in as far as adequacy is concerned, such as whether or not it will provide colleges with sufficient resources for them to carry their, and the nation's, mandate. If not, what will be the implications thereof?

Since the study pertains specifically to the college management cadre responsible for managing finances and other resources, it is the wish of the researcher to have all managers participating in the research process.

REQUIREMENTS OF THE PARTICIPANTS WHO AGREE TO PARTICIPATE

If you choose to participate in the research, you will be expected to complete a questionnaire of multiple-choice type questions and open-ended questions. The questions are related to your work environment and no questions of a personal nature will be asked. The approximate time it will take to complete the questionnaire will be 60 minutes. You are expected to respond only once to the questionnaire. A sample of members of the Senior Management as well as Extended Senior Management of the college will also be interviewed so that data gathered through questionnaires can be validated and triangulated.

POTENTIAL BENEFITS TO BE DERIVED FROM PARTICIPATING IN THE STUDY

The potential benefit to you from participation in the study is that you will be able to gain a better understanding of the implementation of the funding model in the FET college environment. The study will also seek to assist policy makers to improve the allocation of funding in the FET college sector.

PAYMENT OR REIMBURSEMENT

Participation in the research project is purely voluntary and there shall be no payment for participation.

USE OF WRITTEN, AUDIO OR VIDEO RECORDINGS MADE

You are hereby informed that all interviews will be recorded and these will be dealt with in the strictest of confidence. There will be no video recording, and where written responses are requested these will not be divulged to any unauthorised persons.

DISPOSAL OF GATHERED DATA

The hard copy data will be kept under lock and key for a period of three years and thereafter personally shredded using a mechanical shredder. Electronic data will be encrypted and stored so that it is not accessible to unauthorised persons.

CONFIDENTIALITY OR ANONYMITY AS APPROPRIATE

Confidentiality of the information provided will be protected by the researcher and names will not be divulged in research reports where this is specifically requested. Where respondents wish to participate in the research under conditions of anonymity, this will be guaranteed.

PARTICIPATION AT OWN VOLITION AND FREE WILL

A decision to participate will not result in any form of disadvantage to respondents. Participation is absolutely voluntary and participants are free to withdraw from the study at any stage and for any reason.

DECLARATION BY PARTICIPANT

I.....(full names of participant) hereby confirm that I fully understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

I wish to participate by completing the questionnaire

Y	N
---	---

I wish to participate in the interview

Y	N
---	---

SIGNATURE OF PARTICIPANTS

DATE