

## Recounting the State of Private Higher Education in South Africa

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### Abstract

Several studies on different aspects of private higher education (HE) have been conducted in South Africa. As a result of such studies, a picture of the nature of the sector and its size and shape has emerged. However, because new institutions get established and some old ones close down; because student enrolments change from year to year and because the overall system of HE experiences changes in policy and the environment with which it deals, it becomes incumbent upon researchers to keep auditing developments in the sector. This article serves the purpose of re-auditing the state of private HE in South Africa, that is, it re-examines the state of the private HE sector within the changing policy and environmental context of HE. It makes use of the literature generated by the previous studies of the sector and factors in new empirical information, with regard to changes in policy environment and data on private HE institutions. It analyses public-private partnerships, the size and shape of the sector, the for-profit and not-for-profit dimension and quality of education in the private HE sector.

### Introduction

Throughout its historical development the private HE sector operated in the fringes of the public HE sector and, as such, was never identified as a factor in the HE system of South Africa. Its sudden burst into the mainstream of HE in the 1990s and in different forms such as franchises, partners to local public and foreign institutions, direct and independent presence of transnational institutions or simply local privately established institutions, were largely thought to be a threat to the well being of the HE system of the country. This and other misconceptions about the sector still exist even though the sector is gradually beginning to be understood.

A few empirical studies on private provision of HE in South Africa have been conducted. These include a study of size and shape of the private HE sector conducted in 2000 (Mabizela *et al.*, 2000); a case study of 15 private HE institutions focusing on staff, students, management and facilities conducted by the Human Sciences Research Council (Kruss, 2002); analysis of 58 private HE institutions that had applied for reaccreditation of their programmes by the Higher Education Quality Committee (HEQC)<sup>1</sup> of the Council on Higher Education (CHE)<sup>2</sup> in 2002 (CHE, 2003) and a study of public-private partnerships in the

<sup>1</sup> This is an accrediting body of the CHE.

<sup>2</sup> The CHE is a statutory body set up to advise the Minister of Education on any aspect of HE. It began its operations from 1999.

Education (CHE)<sup>2</sup> in 2002 (CHE, 2003) and a study of public-private partnerships in the provision of HE in South Africa (Mabizela, 2004). Some of these studies were triggered by a need to understand the operations of the sector since, previously, it had been concealed and some of its operations were new anyway.

Like the public HE, private HE is a dynamic sector. It develops and changes with time. This means that there has to be a continuous study of its developments, its role in human resources and social development and in HE and how the sector can be developed in order to give support to the HE system of South Africa, alongside the public HE sector. To this extent, this article seeks to examine private HE sector, taking to cognisance the information generated by previous studies. It seeks to re-assess the sector as it now operates, update, and consolidate the knowledge and understanding generated by previous empirical studies.

Thus, in order to make a thorough assessment and re-examination of the sector this article, firstly, retraces the development of the policy environment for private HE in South Africa and includes the latest developments in government policy on the sector. Secondly, it briefly analyses public-private partnerships in the provision of HE and the impact the phenomenon has on the HE landscape and, generally, on the HE system. Thirdly, it updates knowledge of the size and shape of the sector including the levels and fields of its operations. Fourthly, it examines the for-profit and not-for-profit dimension of the sector and analyses the profitability of for-profit private HE institutions. Fifthly, the article interrogates the quality of private provision of HE and, lastly, it concludes the discussion.

## **Private Higher Education Policy in Historical Context**

Private HE dates back to the beginnings of HE in South Africa, early in the 19<sup>th</sup> century. However, because privately established institutions of the time never sustained as private institutions, but were taken over to become state owned, there was never a policy or its legislation until mid to late 20<sup>th</sup> century when there were private post-secondary institutions that sustained<sup>3</sup>.

The Correspondence Colleges Act, No. 59 of 1965 (Department of Education – DoE, 1965) was the first legislation that dealt with private provision of post-secondary education in South Africa. At the time, some private providers offered tuition by correspondence, possibly because there was unmet demand for distance provision of vocational education and at levels lower than qualifications offered by the University of South Africa (Unisa). That is, non-degree courses but at post-secondary education level. The Act, among other things, established the Correspondence Colleges Council, which had powers to register private tuition providers.

A few years earlier, the Eiselen Commission (Department of Education, 1951 - U.G. No. 53/1951: paragraph 356) had reported nine institutions provided courses, particularly, to black students ranging from secondary to degree courses. The commission reported a growing demand for correspondence education among blacks and hence a “rapid increase in

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<sup>2</sup> The CHE is a statutory body set up to advise the Minister of Education on any aspect of HE. It began its operations from 1999.

<sup>3</sup> For the history of private higher education in South Africa, see Mabizela, M (2001) *Towards a Contextual Analysis of Structural Patterns of Private-Public Higher Education in South Africa*. Unpublished thesis, University of the Western Cape, Bellville (South Africa).

the number of students enrolled" (Paragraph 357) in these private correspondence institutions.

Another phenomenon, which had developed prior to the enactment of the Correspondence Colleges Act, was the offering of some courses in collaborative arrangements between public and private institutions. This practice was first reported in the 1948 De Villiers Commission of Enquiry on Technical and Vocational Education (DoE, 1948). Long after the practice had sustained, the government regulated university partnerships with other providers in Sections 18A and 18B of the 1984 Joint Statute (Department of Justice, 1984). The statute stipulates, among other things, that the university council shall accept final responsibility for learning programmes and teaching taking place in its partnerships; the council shall determine admission requirements for partnership students and shall be responsible for recompensing its university partner institutions for aid in provision of tuition.

By early 1990s, the above-cited legislation had, somehow, lost touch with the reality of the demands of students, leading to a *laissez faire* situation that saw mushrooming of private institutions. Confirmed evidence by both the private and public sector personnel suggests that the newly established private institutions began with private individuals offering tutorials and lectures to UNISA students (i.e. distance education students). On identifying increasing demand for such tutorials and lectures, some began to establish centres some of which were later developed into private institutions.

After the democratic elections of 1994, there was mounting pressure, especially on historically white institutions (HWIs) to adhere to the principles of transformation by, among other things, admitting black students. Prior to 1994, HWIs were lawfully barred from admitting black students. Some residential HWIs, especially the Afrikaans institutions, started offering distance education with a view to increase their enrolments, especially of black students. Partnership agreements with private institutions became a vehicle towards achieving this goal but without having the physical presence of such students on their main campuses (see Cloete and Fehnel, 2002:387).

Hitherto and with the exception of the Correspondence Colleges Act, there was no legislation or policy towards private HE. A radical step towards recognition of private HE institutions came through the Constitution of the Republic of South Africa, Act 108 of 1996 (South African Government, 1996). In terms of Section 29 (3) of the Constitution, everyone has the right to establish and maintain, at their own expense, independent educational institutions that do not discriminate on the basis of race; are registered with the state; and maintain standards that are not inferior to standards at comparable educational institutions. This law opened space for the establishment and recognition of private HE institutions, among others.

Subsequent to the Constitution, the White Paper on Higher Education (DoE, 1997a) declared recognition of "a relatively well-established private higher education sector in South Africa, offering programmes under franchise from professional institutes or from local and international universities, and in some cases under their own auspices". The White Paper further declared that the Ministry wishes to avoid the risk of *laissez-faire* proliferation of HE programmes offered by an increasing range of providers, without benefit of a planning framework and without adequate safeguards to ensure the quality of provision. Furthermore, the policy states that the Ministry recognises that private provision plays an important role in expanding access to HE, but

The key challenge in expanding the role of private institutions is to create an environment which neither suffocates educationally sound and sustainable private institutions with state over-regulation, nor allows a plethora of poor quality, unsustainable 'fly-by-night' operators into the higher education market.

Finding that balance has, indeed, proven to be difficult and extremely challenging as it will be demonstrated in the discussion below. The subsequent Higher Education Act (DoE, 1997b) puts to practice both the declaration of the Constitution and the policy in the White Paper. According to Section 51 of the Higher Education Act (DoE, 1997b)

- No person other than a public higher education institution or an organ of state may provide higher education unless that person is
  - (a) in the prescribed manner, registered or conditionally registered as a private higher education institution in terms of this Act; and
  - (b) registered or recognised as a juristic person in terms of the Companies Act, 1973 (Act No. 61 of 1973), before such person is registered or conditionally registered as contemplated in paragraph (a).

Section 53 of the Act stipulates that applicants should be financially capable of satisfying their obligations; maintain standards that are not inferior to standards at comparable public HE institutions; comply with the requirements of the appropriate quality assurance body and with any other reasonable requirement prescribed by the Minister.

To promote an enabling environment for HE institutions, Section 3(3) of the Higher Education Act (DoE, 1997b), empowers the Minister of Education to determine the scope and range of operations of public and private HE sectors and individual institutions of either sector. Furthermore, the CHE maintains that in the interests of coherent and rational planning, HE is and must remain an exclusively national competency (CHE, 2000:46). However, the scope and range of private HE providers remains at the behest of market forces. That is, private HE responds to students and labour market demands and is, thus, shaped accordingly.

The escalation of partnerships between public HE institutions and private providers had gone to unchecked reaching undetermined proportions. This prompting the Minister of Education to impose a moratorium on new partnerships from February 2000. Meantime, the Department of Education conducted an investigation into the phenomenon. The National Plan for Higher Education (DoE, 2001) lifted the moratorium in 2001, and declared that the Ministry would not fund student places in partnerships unless such programmes were approved (by the CHE) in the public institution's three year rolling plans. Moreover, in terms of the National Plan, public institutions are required to seek approval for introduction of programmes for which state subsidies are not required. Programmes should meet quality assurance criteria set by the HEQC (Higher Education Quality Committee). Equally, public institutions concerned should take full academic responsibility for partnership programmes and students must enjoy all benefits that come with registration at that public institution (DoE, 2001: 66).

With regard to functions of private HE institutions and their agreements with public institutions, the CHE (2000:45) is of the view that

appropriate legislation and regulations would enable private institutions to contribute to providing access to higher education of quality and meet development needs, on their own, or in responsible partnerships with South African public institutions.

To this extent, the Ministry of Education concurs with the CHE, that the sector is inadequately regulated. Deducing from the CHE statement, this means that private HE institutions are not regulated in such a way that they fulfil the role of being complementary to public HE institutions, as well as, contribute to social development. The examination of pros and cons of making the private HE sector complementary to the public sector requires a separate discussion.

The Department of Education promulgated *Regulations for the Registration of Private Higher Education Institutions* in 2002 (DoE, 2002). The regulations outline the eligibility criteria used for applicants who want to operate private HE institutions; guidelines for compliance with registration requirements and set responsibility criteria for maintenance of registration, among others. The regulations require private institutions to offer only programmes leading to qualifications that are registered on the NQF (National Qualifications Framework); to maintain the necessary academic and support staff with appropriate academic or professional qualifications and experience to achieve the objectives of each programme; to maintain quality management systems, sufficient space, equipment and instructional material and not exceed the enrolment that the facilities and equipment can reasonably accommodate and to maintain full records of each student's admission, academic progress and assessment of learning in respect of each programme.

In spite of the fact that both the CHE and the Department of Education support the view that private HE institutions should complement the public sector institutions, the legislation and policy do not stipulate criteria or procedures for private institutions to fulfil this role. Thus, some commentators believe that government policy is aimed at protecting the public from programmes of dubious quality, as well as, protecting public institutions because some institutions attributed their diminishing student enrolments to competition from private institutions (Bitzer, 2002:25; Cloete and Fehnel, 2002:382). In addition, Cloete and Fehnel (2002:382-3) argue that government policy stopped innovative undertakings "which could have addressed some of the priority areas in higher education, such as increasing enrolments in science, mathematics and technology courses". However, none of the private higher education institutions operate in the identified priority areas. This is because programmes in science, engineering, mathematics and technology are expensive to run and private HE institutions are overwhelmingly for-profit and would not venture into programmes deemed to be non-profitable to them but, rather, require lots of investing.

Despite all the legislation and policies outlined above, there is still no connection between the private HE sector and the social agenda, to which both private and public institutions would be required to focus. That is, the private HE sector is not regulated such that it addresses the existing social agenda of transformation of the country. Moreover, the policy and legislation do not set criteria for levels at which private institutions should (or should not) operate. For instance, the CHE (2000,45-6) suggests that private providers seeking to function as multi-purpose institutions should be required to meet the set criteria and also fulfil the social purposes, roles and goals of institutions of that particular category. As a result, private institutions are expected to "maintain acceptable standards that are not inferior to standards at a comparable public higher education institution" (DoE, 2002: 16(3)) even though they are not comparable to public HE institutions in all possible respects. That is, private HE institutions are expected to perform at levels higher than they exist. For example, none of the private HE institutions in South Africa are universities and yet they are expected to compare to universities.

Furthermore, despite the official recognition of some private institutions, in the form of accreditation of their programmes by the HEQC and registration with the Department of Education, there is no set procedure for articulation within the private sector and between the private and across sectors. In this regard, the CHE (2000, 46) suggests that mechanisms for articulation must exist to ensure that the system is highly integrated. It further suggests that articulation between institutions “must be embedded features of, and must permeate, the entire system so that continuing education, life-long learning, horizontal and vertical mobility are all enhanced” and should not be left to individual institutional partnerships. All these mean that for the Department of Education to achieve its goal of a fully-integrated and single coordinated system (see DoE, 1997a), private HE should be appropriately regulated and recognised as part of the HE system.

## **Public-Private Partnerships Providing Higher Education**

A study of provision of HE within public-private partnerships was conducted in 2002 and 2003 (Mabizela, 2004). The purpose of the study was to examine why and how public-private partnerships for provision of HE arose; to interrogate the roles and responsibilities of partner institutions and to examine the impact of these partnerships on the HIE landscape in South Africa.

The study found that in 2002/2003, there were 55 private HIE institutions in partnership with 12 public HE institutions. Three types of public-private partnerships were identified in the study: Service Partnerships, Tuition Partnerships and Professional Institutes Partnerships. Tuition Partnerships were further subdivided into Specialist, Comprehensive, Capacity Development and Access Partnerships. Each of these is described below:

- **Service Partnerships:** have private partner institutions that provide infrastructure and administrative support services to distance education students of face-to-face<sup>4</sup> public institutions. Public partner face-to-face institutions that venture into distance education register students through their private partner institutions. All learning materials and qualifications are the responsibility of the public partner institution. The main function of private partner institutions is to co-ordinate and facilitate administrative links; they do not lecture, teach or tutor. This type of partnership is as a result of the fact that public face-to-face institutions that venture into distance education do not have the necessary infrastructure and do not want to invest in it because it might be temporal, therefore, they make use of the services of experienced private distance education institutions.
- **Tuition Partnerships:** have private partner institutions that offer face-to-face tuition. In fact, some private partner institutions in Tuition Partnerships have learning programmes of their own. Tuition Partnerships are by far the largest group of partnerships, and were broken down into four sub-types:
  - *Specialist Partnerships:* consist of private partner institutions that specialise in only one or two fields of study, for example, business, management, commerce, marketing, information technology or computer studies. Specialist private partner

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<sup>4</sup> In international literature, the term “face-to-face institutions” is used interchangeable with “residential institutions”. Because residential has a dual connotation (place to live – student residences – and contact between students and lecturers) face-to-face is preferred to denote the face-to-face contact that occurs between students and lecturers during tuition delivery process, as opposed to distance education where, theoretically, there is no face-to-face contact between the two.

institutions are not necessarily large in terms of student enrolments and are mainly in partnership with dedicated distance education public institutions (e.g. the University of South Africa – UNISA). The main operation of the private partner institutions is to offer franchised learning programmes, to the extent that they are often dependant on these franchise agreements for survival. Their facilities tend to be limited to classrooms where tuition is delivered or practical training conducted.

- *Comprehensive Partnerships*: have private partner institutions which are sometimes referred to as ‘multipurpose’ providers. These providers strive to develop their own higher education learning programmes alongside franchised ones. They have their own physical facilities to cater for face-to-face provision of tuition, and often invest heavily in creating a campus environment. They offer a diverse choice of learning programmes drawn from various fields of study, some of which may be franchised from public distance and face-to-face institutions, transnational institutions, professional institutes and various examination boards. Comprehensive Partnerships private partner institutions tend to target school leavers. All but one of the twelve Comprehensive Partnerships private partner institutions examined in the study had their own learning programmes that were accredited by the Higher Education Quality Committee (HEQC) and registered with the Department of Education.
- *Capacity Development Partnerships*: have private partner institutions that take the development of their disciplines and professionals centrally, and invest their material resources in this process. The focus is on training and capacity development of their resources (personnel, infrastructure and discipline – field of study).
- *Access Partnerships*: have private partner institutions that register and certificate partnership students so that they will be able to enter public partner HE institutions. These are students who would not ordinarily gain entry to public institutions because they do not meet the academic entry requirements. Curriculum and tuition are developed within partnerships, with public partner institutions either participating in curriculum development and/or endorsing learning programmes. Access Partnerships are developmental in nature and are sometimes characterised by hybrid qualifications – that is, programmes comprising learning materials taken from both sides and certificates bearing emblems of both institutions.
- **Professional Institutes Partnerships**: have privately established Professional Institutes that operate in applied and practical domains of disciplines. The interest and priority of Professional Institutes is to improve the professional competence of practitioners in their respective fields. They develop their own learning materials and programmes, and either provide them through distance education or franchises. Professional institutes are one of the biggest franchisers of education.

In the 2002 academic year, there were 85 657 students enrolled with private HE institutions. Of these, 55 885 were in the public-private partnerships and some 29 772 enrolled directly with private institutions<sup>5</sup>. Eighty-six percent of partnership students enrolled in the few distance education programmes that were offered by public providers and logistically

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<sup>5</sup> From a study of 86 registered private institutions in 2001, Subotzky (2003: 421) found that there was an overall figure of 85 657 students enrolled with private HE institutions. Of these, 55 428 were partnership students, of which 43 267 were certificated by local public institutions. There were 30 229 enrolled directly with private HE institutions.

administered by private providers (Service Partnerships). Only 14 percent were enrolled in much smaller numbers across a much more diverse set of distance education programmes which were mediated by face-to-face tuition (Tuition Partnerships). Paradoxically, this means that the majority of programmes were delivered face-to-face, whereas the overwhelming majority of students studied by distance education mode and with no face-to-face tuition.

There was concentrated demand for qualifications in Business, Commerce, Management Studies, Education and Computer Studies. In fact, partnerships reflected the same enrolment patterns found in public institutions. There very little presence of key study fields in which there are shortages in the labour market such as Manufacturing, Engineering, Health Sciences, Social Services and Mathematical, Physical and Life Sciences.

Most partnership programmes were offered at certificate and diploma levels or Level 5 in terms of the National Qualifications Framework (NQF). This is the base level of HE. The reason for concentration at NQF level 5 is because private partner institutions are not equipped to support higher levels of education in the HE band.

A number of public institutions claimed to be entering partnerships agreements because they wanted to make HE accessible to students who would otherwise not have had the opportunity to enrol in HE. It transpired, though, that most institutions meant geographical and formal access. However, no work was done in the partnerships learning programmes to ensure the intellectual development of students at a HE level. Thus, partnerships provided institutional differentiation to diversify choice of distance education institutions.

The demand for these partnerships is largely driven by distance education students enrolled with public HE institutions but requiring additional learner support in the form of face-to-face tuition. Private partner institutions offer such face-to-face tuition. This unique mediation of distance education may be a consequence of apartheid's destructive educational legacy, leaving students unconfident to study on their own through distance education without face-to-face backup. It may also be due to the location of public institutions and their inflexibility, which does not allow them to offer face-to-face tuition at the places and times easily accessible and convenient for working students.

Whereas the majority of programmes in public-private partnerships were founded on the demand for face-to-face mediated distance education, the vast majority of partnership enrolments fell within a few distance education programmes offered by traditionally face-to-face (residential) public institutions. Much of this provision was in the form of Further Diplomas in Education and arose because of a push for marketisation or enterprising of some public HE institutions. Such public institutions sought a need to generate new forms of income and hence new markets for student enrolment. Traditionally face-to-face institutions began to provide distance education even though they had no experience of it. Given their inexperience, they sought the services of experienced private HE institutions in this regard to assist with the daunting logistical and administrative demands of their new venture into distance education provision.

The demand for face-to-face tuition in distance education should not be surprising because according to De Boer *et al* (2002: 25), "despite the support for ICT in higher education, most analysts agree that the traditional pattern of face-to-face teaching and learning will continue to exist". In both the technikon and university sector partnerships, the majority of learning programmes were delivered face-to-face, followed by mixed mode and then distance



education mode. Despite the fact that the majority of students were registered for distance education mode, face-to-face provision offered more diversity in terms of learning programmes.

The overall impression that could be deduced from the study is that private partner institutions were junior partners in the majority of partnerships. They did not have even close to the same powers as public partner institutions. There was very little capacity development provided to private partner institutions with few exceptions of the institutions within Access and Capacity Development Partnerships.

Educationally, there was very little that private partner institutions were able to contribute to the partnerships. Many of the private institutions (44 of the 55) were not involved in the development of materials, nor were they involved in determining how those materials were to be used. Such decisions rested with the public partner HE institutions. That is, private partner institutions did not have significant responsibilities in the partnerships. Most private partner institutions were, thus, more like tuition agents for public partner institutions.

### **Do Size and Shape Matter?**

Currently (October 2004), there are 99 private HE institutions registered with the Department of Education. Of these, 10 are provisionally registered meaning that they have not fulfilled all the requirements for registration. Fourteen have been issued with letters of intent to cancel their registrations because of their continued failure to comply with the requirements of their registration. Only three, Bond University, Monash University (both Australian) and Business School of the Netherlands are transnational institutions.

In terms of Section 54 (7) “no private education institution may call itself a university or a technikon or confer a professorship or an honorary degree or use the title of rector, vice-chancellor or chancellor, unless it is registered as a private higher education in terms of Chapter 7 and the word “university” or “technikon” appears in its name”. This means that the word “university” or “technikon” have to be approved by the registrar of private HE institutions if a private HE institution wishes to have either in its name. None of the registered private HE institutions are either universities or technikons. Even transnational institutions such as Bond University and Monash University that operate as universities in their home countries, are registered without the word university and thus are Bond South Africa and Monash South Africa respectively.

Moreover, none of the registered private HE institutions are research institutions. They are all teaching institutions. A few that aspire to function as universities have some of their lecturers involved in individual research and participating in academic conferences. Some are in a process of establishing research departments.

Historically, unlike the public HE sector, the private HE sector was regarded as informal and therefore did not have formal channels of accountability and reporting of its enrolment patterns. Mabizela, Subotzky and Thaver (2000) made a first attempt to measure the number of students in private HE institutions. The figure of 108 000 headcount students in 145 private institutions included students enrolled at Further Education and Training (FET) level, because most private institutions combined FET and HE. Subsequently, Subotzky (2003:421), drawing on data submitted by 86 private HE institutions that were registered with the Department of Education on December 2001, reported a total of 85 657 students.

Approximately one-third – 30 229 students – were registered for programmes owned by private institutions. The other two-thirds – 55 428 students – were registered in programmes offered in partnerships with certification done by public partner institutions. This figure parallels the 55 885 headcount partnership students reported in a separate study conducted on public-private partnerships in provision of HE in 2002/03, by the Human Sciences Research Council (Mabizela, 2004). Subotzky (2003) reported that, in the 2001 enrolments Black students “and Africans in particular” formed the greater proportion of enrolments than other race groups. Women were fairly represented among “local private institutions” and under-represented in “transnational institutions” (i.e. those offering higher levels of HE education, e.g. MBA). The race and gender breakdown of enrolments in private HE institutions is still very difficult to conclusively discuss because private HE institutions have not been aggregating their enrolments in this manner.

In 2001, 71% (or 21 586) of the total of 30 229 headcount enrolments in private HE institutions were at NQF Level 5 (Subotzky, 2003). Moreover, there were 9 466 (11%) headcount enrolments that were reported to be below NQF Level 5. Similarly, the CHE (2003:24) found that, of the 58 institutions that had applied for re-accreditation of their programmes with the HEQC in 2002, 49 (84,5%) offered programmes that, although presented as at HE level, were actually at FET level 4. A small number of institutions also offer courses at NQF level 6 (first degrees and higher diplomas), mostly in public-private partnerships (Mabizela, 2004). This is testimony to the fact that most private sector institutions in South Africa are not yet equipped to support senior degree programmes.

The majority of private HE institutions are situated in the three main metropolitan areas of Johannesburg, Durban and Cape Town. Mabizela *et. al.* (2000) found that 56% operated from the Gauteng Province and 14% and 11% in KwaZulu Natal and Western Cape respectively. This spread is directly linked to their responsiveness to their ‘clientele’. First, these metropolitan areas are centres of high economic activity and have a high number of employees who require higher levels of qualifications and conveniently provided (after hours and face-to-face). Private institutions are able to fulfil this requirement but the quality of content is a matter for a separate investigation and discussion. Second, these metropolitan centres host a relatively higher concentration of public HE institutions that attract large numbers of students but for various reasons some are unable to obtain entry. As such, private HE institutions become alternatives. Third, the metropolitan areas host a concentration of industry, which constantly requires specialised skills, which some private institutions offer or purport to offer.

Most studies confirm that the majority of private institutions mainly offer business, commerce and management studies (Mabizela, 2004; Subotzky, 2003 and Kruss, 2004). For example, in 2001 34% (or 10 306) of private HE enrolments registered in the field of Business, Commerce and Management studies. This was followed by Information Technology (IT) or computer studies with 24% (or 7 037) of enrolments. Regarding programmes at first-degree level (NQF level 6), 70% of public-private partnership enrolments were at this level and in the field of Education, Training and Development. This suggests that partnership student enrolments in this field targeted on-the-job teachers who wanted to upgrade their qualifications. Thus, private HE institutions make little contribution to training students in high skills and to scarce skills. Moreover, this means that the private HE sector has quantitatively insignificant impact on the HE system and to HRD. Considering that the public HE sector averaged about 620 200 headcount enrolments between 1999 and 2002, the

above data means that the private HE sector supports about 5% of HE students in South Africa.

While the private HE sector provides no highly qualified graduates, they play an important skilling role. The NQF level 5 at which they mainly operate interfaces with FET and provides intermediate skills. Kraak (2004: 75) defines intermediate skills as “those located in the middle education and training band that include all post-junior secondary school certificates and their equivalents but which exclude degree level qualifications in HE”. Because universities derive most of their state funding from degree programmes, they tend to neglect certificate and diploma programmes (NQF Level 5) and have focused on higher levels of HE (NQF Levels 6-8) while specialising on academia, research and practical training of HE learning. While this arrangement appears to be clearly demarcated, Kraak (2002, 10) observes that, lately there has been a convergence to NQF Level 5 marked by “downward institutional creep” of public HE institutions and “upward institutional creep” of public FET colleges. Thus, NQF Level 5 has become a convergence point of growth due to high demand for certification at that level (see also Kruss, 2004). It is on this basis that Kraak (2002:10) suggests that there is growth of “intermediate skilling” and, by implication, that the growth potential of private HE institutions is enormous, despite questions about the quality of provisioning. It is at this level and to this demand that many private HE institutions respond.

### **For-Profit vis-à-vis Not-for-Profit**

The dimension of for-profit or not-for-profit is not always easy to determine because, while some institutions claim not to be for-profit, they actually draw financial profits from their involvement in HE provision. The type of company by which a private institution is registered does not solve this problem either. For instance, institutions registered as Section 21 companies, in terms of the Companies Act No. 61 of 1973, are supposed to be not-for-profit. However, institutions can be registered as not-for-profit but their operations generate enough income for them to be able to reinvest in their operations, sustain salaries of the personnel or even informally distribute profit to company owners or shareholders. Thus, their not-for-profit status remains only technical, as Levy (2002:20) notes globally that most of the world's private HE is legally not-for-profit. Meaning that, in order to determine the status of institutions a number of characteristic features have to be identified and, even there, the decision may not always be conclusive.

Besides the type of company and claims made by institutions, another method is to analyse their balance sheets. Whether or not institutions are profitable does not really matter because the original objective of registering institutions as for-profit entities is to generate profit. Levy (2002:20) argues that legally for-profit institutions need not actually turn a profit. Not-for-profit private HE institutions that intended to make profit, but are unable to cannot be detected through analysis of their balance sheets. Such a state of affairs illustrates that there have to be factors taken into consideration before deciding whether institutions are for-profit or not. For example, whether for-profit refers solely to the type of business and/or ability to generate profit.

Despite the difficulty of determining the for-profit and not-for-profit status of private HE institutions, some trends and patterns can be determined from available data. For instance, not-for-profit private HE institutions are mainly religious institutions, despite the fact that some venture into commercialisation. Of the 99 currently registered private HE institutions,

20 (20%) are religious based/owned institutions. All of them are Christian faith institutions despite the fact that there is a significant Muslim and Hindu following in the country.

Of the 99 currently registered private HE institutions, 13 are owned by the Johannesburg Stock Exchange (JSE) listed education companies. This is not necessarily to say that other institutions that are not JSE listed are not-for-profit, but their status is not as obvious as those that are listed.

A study of public-private partnerships in the provision of HE (Mabizela, 2004) showed that, of the 55 private institutions that were in partnership agreements with 12 public institutions only 13 were registered with the Department of Education. All the 13 registered private institutions including 32 others were for-profit institutions. Put differently, 81 per cent of the partnership private institutions were for-profit.

Indeed, South Africa is not unique with the proliferation of for-profit private HE institutions. Some of the countries that undergo similar experience are the United States of America, Thailand, Indonesia, Singapore, Malaysia, the Philippines, Brazil, and Peru (see Gonzalez, 1999; Levy, 2002 and Lee, 1999). Characteristically, for-profit private HE institutions have been identified to be largely operating in the provision of certificates and diplomas (non-degree qualifications) and less on graduate studies (degree qualifications). This is also the case with many private HE institutions in South Africa (as discussed in the section on size and shape of the sector above). According to Sawyerr (2002:38), comparative evidence shows "a decisive concentration on courses with a strong vocational and directly market-responsive character, and hardly any natural science or technology", an observation that truly applies to South Africa. The reverse is true for institutions that claim to be not-for-profit in that they predominantly operate at university level, and often are religious based initiatives (see Sawyerr, 2002:39). A further discussion of the dimensions of for-profit/not-for-profit is carried out in the following sub-section.

### ***Ownership, Funding and Profitability***

The type of ownership sometimes reflects on the actual type of a private institution. For example, private institutions owned by corporations are often for-profit. However, there are religious owned institutions that take up for-profit character even though generally they are not-for-profit. Such religious owned institutions also venture into the learning programmes perceived to be financially lucrative: commerce, business, management studies and information technology. Ownership of private HE institutions in South Africa is very diverse. Some are family owned businesses, others are owned by religious institutions, consortia and corporations.

Some education companies (i.e. private companies that own HE institutions) began to list in the Johannesburg Stock Exchange (JSE) in 1996. Among other reasons for listing, Acumen (one of the education companies) cited an increase of its capital base and that it wanted to provide the company with a further source from which permanent capital can be obtained. Clearly, this means generating more profit. By 1999, there were five listed education companies. In 2000, the five JSE listed education companies owned 43 institutions (30%) of the 145 private institutions that had applied for registration with the Department of Education (Mabizela *et.al.*, 2000). Their share of student enrolments was about 60 per cent. Some companies de-listed and, currently (October 2004), only ADvTECH and Naspers are JSE listed education companies. The companies also operate in other sectors such as media,

employee recruitment and placement agency. Moreover, not all for-profit institutions were listed in the JSE. That is, some for-profit institutions generate profit outside of JSE listing.

Of the 99 currently registered (October 2004) private HE institutions, eight are owned by Naspers (Educor)<sup>6</sup> and five by ADvTECH. Of the 30 229 students enrolled with registered private HE institutions in 2001, 6 397 (21%) students enrolled with Educor institutions. Of the 55 428 partnership students, 48 291 (87%) students were enrolled with Educor institutions. This means that, of the total of 85 657 (own and partnership) students enrolled with registered private HE institutions in 2001, 54 688 (64%) students were enrolled with Educor institutions.

ADvTECH accounted for 6 725 (8%) of the total of 85 657 students enrolled with private HE institutions in 2001. Of the 6 725 students, 3 544 (53%) students were enrolled for ADvTECH's learning programmes and 3 181 (47%) were enrolled for partnership programmes offered in ADvTECH's private HE institutions.

Thus, in 2001, Naspers and ADvTECH (the two JSE listed companies) accounted for 61 413 (72%) of all private HE enrolments. This means that, overwhelmingly, private HE students were registered with for-profit institutions. The enormity of partnership students between the two companies (57 869 or 68% of all partnership students) suggests that their partnerships with public HE institutions and professional institutes are another source of income, since their involvement in education is accompanied by profit making.

Sources of funding for private HE institutions are very diverse. For example, they come in the form of tuition fees, income generated through trading of shares (for those that are stock-market listed), selling of business franchises (where relevant) and offering of franchised learning programmes from transnational institutions, local public institutions and professional institutes.

The profitability of private HE institutions, however, is not easy to determine. Such an exercise will require a careful monitoring of balance sheets of companies that own for-profit private HE institutions. The fact that some of the big education companies also operate in other levels of education (General and Further Education levels) as well as in other areas of business (e.g. employment recruitment agency, outsourcing of temporal employees, media and others) further complicates analysis of profitability of education companies.

Despite the difficulty in identifying and analysing profitability of for-profit private HE institutions, some trends of the listed companies could be providing clues. The choice of listed education companies or their holding companies as an example is because they are clearly for-profit. At the peak of listing of education companies between 1998 and 1999, Moneyweb ([http://www.moneyweb.co.za/Economic\\_trends](http://www.moneyweb.co.za/Economic_trends)) observed that education was fast approaching the kind of status that Security, Information Technology and Financial Services were acquiring as "big winners" of booming stock market shares.

Educor was the first education company to list in the JSE on 19 June 1996. At the time of listing its shares were worth 300 cents and closed at 225c on its first day of trade ([http://www.moneyweb.co.za/Economic\\_trends](http://www.moneyweb.co.za/Economic_trends)). By September 1997, Educor's shares had

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<sup>6</sup> Until 2000, the Education Investment Corporation Limited (Educor) was an independent company directly listed in the JSE. It was acquired by Naspers, which hitherto, among other companies, owned the National Private Colleges comprising Lyceum and Success Colleges and Mentor Business College.

picked at 650c. In December 1998 it reported a turnover of 151%. Profit attributable to shareholders rose to R71-million (104%) compared to R35-million of 1997. The education division contributed 26% of the R71-million attributable profit, of which 42% (10% of the turnover) came from the distance education wing, whereas 58% (36% of the turnover) from face-to-face learning. In its financial report, the company summed up its projection as follows:

The education companies all have strong market shares, and much sought after curricula and, while student numbers may be less buoyant than in previous years, the demand for superior education and training continues. In addition, the group will continue its drive into the area of adult basic education and training where there are exciting growth opportunities, (Cape Times - Business Report, 3 March 1999).

At the time the company was bought by Naspers in June 2000 its shares had plummeted to a mere 26c. Educor was reported as having a "satisfactory year", yet its losses before tax in each of the 2001 and 2002 financial years amounted to R68m. In fact, in 2001 the market value of the company was estimated at around R49.4m, about 25% of what it was on listing in 1996 ([http://www.moneyweb.co.za/Economic trends](http://www.moneyweb.co.za/Economic%20trends)). According to Naspers, for the fiscal year ending 31 March 2003, Educor had revenue of approximately R550 million (<http://www.naspers.co.za>).

Clearly, there was (and probably still is) a problem with profitability of education, especially among listed education companies despite contrasting statements often reported in the media. The fact that three out of five education companies de-listed, perhaps, is even a better indication that HE is not as profitable as it used to be before legislation on HE came into effect in 1997. In its submission to the Competition Tribunal (November 2002), Naspers conceded that both colleges (Lyceum and Success) were in financial difficulty attributable to a reduced turnover and a massive increase in operational expenses which were double those expanded in 1998 (cited in Competition Tribunal, Case No. 45/LM/Apr00). Moreover, an informal analysis<sup>7</sup> of balance sheets of 17 private institutions for the academic year 2003 showed that those institutions were not profitable.

There could be numerous reasons for the decline of profitability of private HE and some of the obvious ones are dealt with here. Firstly, the Higher Education Act (DoE, 1997b) came into effect in 1997 and required that all private HE institutions be registered with the Department of Education. Before they could be registered, the Department of Education required them to have their programmes accredited by the HEQC. The South African Qualifications Authority (SAQA) carried out this function at the time because HEQC was not yet set up. Initially this was a long and demanding process and operations of unregistered institutions became threatened as some institutions continued failing to meet the demands of the regulatory framework. Secondly, the public was increasingly becoming aware and acting cautiously against unregistered institutions. As such, many private HE institutions lost many potential 'clients' in the form of students. Thirdly, the moratorium on new partnerships between public and private HE institutions and the subsequent strict policy on these partnerships dealt a further blow to the potential revenue of for-profit private HE institutions.

The non-profitability of private HE institutions does not necessarily mean that they are not subsistent, which is possibly the reason why many still continue to operate. Non-profitability

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<sup>7</sup> An informal analysis of balance sheets of 17 private HE institutions was carried out in the Department of Education. That is, it was not meant as a formal study or even some sort of decision-making.

of the JSE listed companies also does not necessarily mean that smaller for-profit private HE operations are not profitable.

Although it is not illegal and there is no inherent conflict between using HE for financial gain and addressing social development, the parochial orientation of the private HE sector institutions in South Africa tends to marginalise social development, relevance and democratic practices. That is, for-profit private HE institutions generally do not seek to address themselves to social challenges as well challenges facing HE such as access, equity and quality. Schwartzman (2002:102) observes that contemporary private institutions do not aspire to play any significant role in the definition and construction of a new social order. Unfortunately, this takes place under a general perception that private HE institutions are more responsive to the labour market (and/or student needs) than public sector institutions. Given this perception, it would then appear that the definition and construction of social order are not regarded as part and parcel of labour market requirements. Therefore, the perceived responsiveness of the private HE sector does not address itself to social development.

### **Quality of Education and Employment of Graduates of Private Institutions**

In terms of Section 53 (1) (b) (ii) of the Higher Education Act (DoE, 1997b), the registrar of private HE institutions may register an applicant as a private HE institution if the registrar has reason to believe that the applicant, with regard to all of its HE programmes,

will comply with the requirements of the appropriate quality assurance body accredited by SAQA in terms of the South African Qualifications Authority Act, 1995 (Act No. 58 of 1995).

In the case of HE in South Africa, the relevant SAQA accredited quality assurance body is the Higher Education Quality Committee (HEQC) of the CHE. Therefore, private (and even public) HE institutions must have their programmes accredited by the HEQC. As such, before private HE are considered for registration the Department of Education requires that they have their programmes accredited by the HEQC. In fact, in terms of the Regulations for the Registration of Private Higher Education Institutions (DoE, 2002) over and above the above-cited requirement, an applicant applying to operate as HE institutions must provide written declaration that it will maintain the necessary academic and support staff with appropriate academic or professional qualifications and experience to achieve the objectives of each programme; will maintain a quality management system including assessment policies and procedures appropriate to each programme; will maintain sufficient space, equipment and instructional material to provide education and training of sufficient standard to achieve the objectives of each programme; will not exceed the enrolment that the facilities and equipment can reasonably accommodate and will maintain full records of each student's admission, academic progress and assessment of learning in respect of each programme.

However, despite the above-stated requirements, in its report of the re-accreditation process of programmes of 58 private HE institutions the CHE observed a bleak picture of quality of private HE provision (CHE, 2003). There is no doubt that the majority of private HE institutions in South Africa set up as small for-profit businesses, a trend also to be found internationally (Levy, 2003:5). As such, they survive by putting in little investments and can simply pull out if they do not yield the required results. Thus, the CHE (2003, 39-41), whose function includes regulating HE provisioning in South Africa, found that many private HE

institutions do not have structures and strategies to deal with quality assurance and that (CHE, 2003:36),

Students articulated complaints around access, poor or non-existent inter-library loan facilities and generally under-resourced libraries that made assignments and other tasks very difficult to accomplish.

This negative picture is compounded by the reports that the sector largely relies on inexperienced, under qualified and mainly part-time employed staff, much against the requirements for the registration of private HE institutions (see DoE, 2002). The CHE observed that “some institutions consisted entirely of part-time staff” while in others there was lack of adequately qualified and experienced staff (CHE, 2003:31-33).

Even worse, there seemed to be no effort to improve these conditions. To this end, the CHE (2003:46) concluded “poor quality programmes, despite being financially accessible to low-income families, do a disservice to their students and the country in general” in that they inject poorly prepared graduates to the labour market.

It is for this reason that both policy and the public HE sector have to shoulder some blame. Higher Education policy does not provide for the development of the sector in a way that would allow for interventions by public HE institutions. In Ghana, for instance, all private university colleges must affiliate with public universities for quality assurance purposes, although this may not be ideal for many parties involved. Nevertheless, a strategy needs to be devised in order to uplift the quality of HE provision in the private HE sector in South Africa.

Furthermore, the study on public-private partnerships in the provision of HE in South Africa (Mabizela, 2004) found that in most cases public institutions used the partnerships instead of developing their own infrastructure for distance education provision. Thus, essential equipment and materials such as books, libraries, computers, Internet and computer training centres were not given the necessary attention. The result was that the quality of learning in partnerships was often questionable, despite the fact that private institutions mainly offered fields of study that did not demand expensive equipment and infrastructure.

So far, there has been no comprehensive study of employability of graduates of private HE institutions in South Africa. However, alongside the concern over quality of learning at private HE institutions, inherently, there is also concern over the quality of graduates who enter the labour market from private HE institutions. Kruss (2004:114) argues that some private institutions are driven by corporatisation of HIE, “in response to a demand for programmes and qualifications directly tailored to the specialised needs of corporations”. That is, some private HE institutions offer programmes that are demanded by corporations and in that way their graduates are, somewhat, assured employability if the students were not sent by corporations in the first place.

## **Conclusions**

Despite the drawn out evolution of policy and legislation of private HE in South Africa within a relatively short period, the balance between getting rid of fly-by-nights operations and creation of environment which “neither suffocates educationally sound and sustainable private institutions” (DoE, 1997a) has not yet been attained. Such a balance will only be attained once the private HIE sector has been fully integrated to the HE system, whereby



articulation between the sectors will be possible. For this state of affairs to be achieved, private HE should be appropriately regulated such that it serves a particular level of HE and, therefore, not be compared to the public HE sector. For private HE institutions that wish to operate as universities and universities of technology (as are public sector institutions), clear criteria and guidelines should be set.

The legislation on the private HE sector is not designed such that the sector contributes positively to the HE system and human resources development needs. The legislation mainly concentrates on financial viability of private HE institutions and quality of their programmes. Indeed, these two aspects are important, but the legislation neglects other aspects to which the sector can contribute positively, such as provision of access to HE, especially in areas where public HE are unable to access. If the private HE can be involved in this area of HE provision, it can also be made to address the imperatives of equity and be nurtured to provide quality education. Moreover, private HE institutions should be appropriately legislated at a suitable level which does to equate them with public HE institutions because the two sectors are not operating at the same levels of HE.

The narrow focus of the private HE sector in terms of fields of studies needs broadening, especially to include fields of studies that are key to the human resources development in the country. Moreover, there has to be improvement of the public-private partnerships in the provision of HE such that they provide quality education and serve the demand for this service. Legislation that enhances the productivity of this phenomenon is required.

The quality of learning at the private HE sector has been reported by the CHE to be in poor form. All aspects that contribute to good quality learning environment, teaching and learning, such as, the condition of classrooms/training centres; the quality of teaching; qualifications of teaching staff; libraries and teaching materials are said to be in poor state. Of course, some institutions are promising in some of these aspects. The HE system, which includes public HE institutions, has to improve this situation if the private HE sector is to contribute positively to the HE system, the human resources development requirements of the country and employability of its graduates. It is abundantly clear that the public HE cannot meet all the demands for higher learning in South Africa, thus, the private HE sector has to be nurtured in order to address the shortfalls of the public HE sector, among other requirements.

Within the sphere of addressing shortfalls of the public HE sector, there are imperatives such as access (formal and epistemological), gender, social class, race and rural-urban equity that still need close monitoring in the HE system of South Africa. Such monitoring has to ensure that there is balance and fairness across these aspects. In the same manner that the public HE sector has to ensure urban-rural, gender, social class and race equity so should the private HE sector. As such, the intervention of legal framework is required for both the public and private HE sector so as to ensure that none are unfairly discriminated against in the provision of HE in South Africa.

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