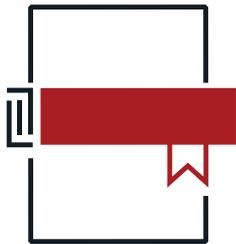




National Student Financial Aid Scheme

## NSFAS Research Report<sup>1</sup> 1 2018/19: Student Allowances



NSFAS Research reports contain original research designed to inform and improve internal NSFAS operational efficiency, to inform the wider stakeholder community, as well as forming the base for policy proposals. This research output is based on content consolidated for NSFAS Working Paper Series 5: What is a reasonable baseline for establishing a relative value for meal allowances, in addition to consideration of a wider set of relevant literature.

### **In this report the reader will find:**

- Information on the factors that should inform meal allowances
- Consideration on realistic ratios to be applied between different types of allowances
- Recommendations on how allowances should be standardised across the post-school education and training system

Prepared  
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October 2018

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<sup>1</sup> Subsequent to an Editorial Board meeting it was agreed that all research outputs in their current form are very informative and represent novel analysis and interpretation. It was advised that these outputs should be renamed, and distribution should be extended to a wider range of stakeholders; such as – student organisations, PSET institutions and policy makers. All these reports are subject to an external review process alongside editorial board approval. Approval for this report was secured through the incorporation of editorial board comments received on the 27<sup>th</sup> of February 2019.

## INTRODUCTION

The National Student Financial Aid Scheme (NSFAS) was established by the NSFAS Act 56 of 1999 to “provide financial aid to eligible students who meet the criteria for admission to a further education and training programme or to a higher education programme”. Amongst its identified functions are:

- To allocate funds for loans and bursaries to eligible students;
- To develop criteria and conditions for the granting of loans and bursaries to eligible students in consultation with the Minister (of Higher Education and Training); and
- To advise the Minister on matters relating to student financial aid.

A new bursary funding scheme was introduced in South Africa on 16 December 2017. This provides a complete bursary for *full cost of study*<sup>2</sup> (fees and university or college residence) plus allowances for food, travel, books and accommodation (if not in university or college residence). The bursary is available to all South African citizens who gain a place at a public university or Technical and Vocational Education and Training (TVET) college for their first post school qualification after January 2018 and whose family is a South African Social Security Agency (SASSA) beneficiary or has a household income of less than R350,000. This category of beneficiary will, hereafter, be referred to as ‘new cohort students’. Statistics from Statistics South Africa<sup>3</sup> indicate that approximately 91% of household incomes fall under R350,000. Figures from the South African Revenue Service (SARS)<sup>4</sup> indicate that in 2015 93% of tax payers had a taxable income below R350,000.

The new scheme will only cover all active students by 2022 (first year entrants in 2017 can receive NSFAS support for up to 5 years to complete a 3-year qualification under the 2017 rules). In the interim, returning students whose first registration was in 2017 or before (hereafter referred to as ‘old cohort students’) are subject to a different set of rules. For these students the 16 December announcement converted what was a loan and bursary scheme to a simple bursary scheme. However, the household income limit for identifying economically eligible students remains at the previous maximum of R122,000 and allowance rules are also different. Statistics from Statistics South Africa<sup>5</sup> indicate that approximately 71% of household incomes fall under this limit. Figures from the South African Revenue Service (SARS)<sup>6</sup> indicate that in 2015 55% of tax payers had a taxable income below R120,000

Whilst specific allowance rates are being discussed currently for new cohort students, these are yet to be finalised. *Old cohort students*<sup>7</sup> will receive allowances under the same conditions as when they first received the financial support with fees, accommodation and allowances being capped at R83 600. Each institution sets its own allowance limits and receives its fee payments from NSFAS before the payment of allowances to students. If the cap is triggered, it is the student allowances that are cut accordingly.

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<sup>2</sup> The total of the registration fees (where applicable), tuition fees, residence or accommodation fees and living and study allowances set by the institution for old cohort students and those set by NSFAS for new cohort students.

<sup>3</sup> *Living Conditions of Households in South Africa*, Statistics South Africa, Statistical Release 0310, Table 7.5.4

<sup>4</sup> 2017 Tax Statistics, available at <http://www.sars.gov.za/About/SATaxSystem/Pages/Tax-Statistics.aspx>

<sup>5</sup> *Living Conditions of Households in South Africa*, Statistics South Africa, Statistical Release 0310, Table 7.5.4

<sup>6</sup> 2017 Tax Statistics, available at <http://www.sars.gov.za/About/SATaxSystem/Pages/Tax-Statistics.aspx>

<sup>7</sup> Those registered students that first registered at an approved institution in or before 2017.

## At What Level Should Future Allowances Be Set?

To inform the debate, data from a working paper<sup>8</sup> on food allowances prepared for submission to EXMA on 24 March 2016 are presented. Data from three different approaches to addressing the appropriate level of food allowances are reported in the working paper. The first is a commercial view from two of the merchants that sBux uses to disburse meal allowances to students, Shoprite and Spar. The second is to review actual university meal allowances. The final perspective comes from data produced by StatsSA on household consumption expenditure, which has been updated in this briefing paper for the latest available figures and consumer price index (CPI) adjusted to provide indicative 2019 figures.

Data received from sBux shows that R 92 million was disbursed in 2015 academic year for meal allowances to approximately 20 000 students<sup>9</sup>. This amounts to an effective spend of R 6 000 per student over 10 months. CPI adjusted, this equates to R 7,070 in 2019.

Shoprite provided two sets of estimates for the costing of a meal per student per day:

- R 80 per day (R15 for breakfast, R30 for lunch and R 35 for supper)
- R 92 per day (R 20 for breakfast, R30 for lunch and R42 for supper)<sup>10</sup>.

These figures equate to monthly costs of between R 2,400 and R 2,760 which, when CPI adjusted, equate to R 2,830 and R 3,250, respectively.

According to Spar, students spend roughly R30 to R50 for each meal depending if it is an on-the-run meal or a proper one<sup>11</sup>. Leading to 2019 monthly costs between R 1,060 and R 1,770.

## INSTITUTIONAL PRACTICE

Each institution determines its own meal allowances, and so considerable variation exists. For example, the University of Cape Town (UCT) paid a monthly meal allowance in 2016 of R1 600 per month. This equates to R 1,890 per month in 2019, when CPI adjusted. The University of KwaZulu-Natal (UKZN), on the other hand, paid in 2016 a meal allowance ranging from R1,200 to R1,800 per month. CPI adjusted, this equates to R 1 330 to R 2 000 per month<sup>12</sup>.

An online survey of financial aid officers was undertaken by NSFAS in 2016. The results reflected the considerable variation in meal allowances offered by the 17 institutions which responded, from R 2,000 for the year to R 16,000, with the average meal allowance calculated as R 8,380 per student. CPI adjusted equivalent figures are R 2,220, R 17,730 and R 9,285, respectively. The very low allowances probably reflect the degree of top slicing that used to exist in the system that was designed to give all eligible students something whilst, at the same time, recognising that it was totally inadequate to meet the students' actual needs.

Anecdotal evidence suggests that it is possible that many students on financial aid use their meal allowance to supplement textbook allowances, pay for stationery, photocopying and other study

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<sup>8</sup> Working Paper Series 5: What is a Reasonable Baseline for Establishing a Relative Value for Meal Allowances?, NSFAS, 23 March 2016

<sup>9</sup> This information is from sBux report for 2015. Although there are 48 795 students who used sBux during 2015, not all of these students use sBux for meal allowances, with approximately only 20 000 accessing meal allowances through sBux. This amounts to approximately R600 per student per month based on institutional policies.

<sup>10</sup> This information was obtained from Abrie Van Staden from Shoprite.

<sup>11</sup> This information was obtained from Bronwen Bramford. Retail eCommerce Manager from Spar.

<sup>12</sup> All this information was extracted from the emails that were sent by institution financial aid officers

expenses, cover travel costs, fund food for family members where the student is the head of the household and supplement living expenses for family members in cases of unemployment. Assessing suitable allowance levels is not an exact science.

In the NSFAS Handbook 2017 the recommendation for an annual food allowance is set at R 6,627<sup>13</sup>. This equates to a CPI adjusted R 6,975 in 2019.

### **SOCIETAL EXPENDITURE RATES**

The most recent published information on household income and expenditure in South Africa can be found in the Living Conditions of Households in South Africa Survey<sup>14</sup> published by Statistics South Africa and based on the Living Conditions Survey of 2014/15.

From Table 7.2.1 we find average consumption broken down into main expenditure groups. The ones most relevant to students are:

Food	12.9%
Housing	32.65%
Transport	16.3%
Communications	3.4%

Books are not specifically identified as a spend category. The total average expenditure on communication is R3,509 out of a total expenditure of R103,293<sup>15</sup>. Assuming that communication spend for a student will include learning material purchases (books, laptops and tablets) we might reasonably expect the communication spend for a student to rise to, say R6,000. That would be equivalent to around 5.8% of total annual spend. These data suggest an allowance ratio of food, accommodation, transport and learning materials of 2:5:2.5:1. Thus food allowance should be twice the learning materials allowance, accommodation allowance should be five times the learning materials allowance and the transport allowance should be two and a half times the learning materials allowance.

With the national average income in 2015 for a single member household being c. R80,000<sup>16</sup> and applying the 12.9% percentage spend on food results in an indicated annual spend on food of R10,400 per 12 months by the average single person household. Converting that to CPI adjusted 2019 Rand value and for the 10-month academic year leads to an indicative figure of R10,200.

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<sup>13</sup> NSFAS 2017 handbook

<sup>14</sup> *Living Conditions of Households in South Africa*, Statistics South Africa, Statistical Release 0310, Table 7.2.1

<sup>15</sup> *Living Conditions of Households in South Africa*, Statistics South Africa, Statistical Release 0310, Table 7.2.16

<sup>16</sup> *Living Conditions of Households in South Africa*, Statistics South Africa, Statistical Release 0310, Table 7.5.8

## A POLICY RECOMMENDATION FOR NSFAS

The various values for the meal allowance discussed above are summarised in Table 1.

Table 1: Summary of meal allowance levels in 2019 Rand values for a 10-month academic year as discussed above

Source	Minimum	Maximum	Point estimate or average
Sbux			7,070
Shoprite	28,300	32,500	30,400
Spar	10,600	17,700	14,150
University	2,220	17,730	9,975
NSFAS			6,975
Society			10,200
Average			13,130

As for current university food allowances the data reflect a considerable range. However, it is identified above that the lowest figure of R 2,220 is likely influenced by historical top slicing that is no longer necessary given the increased funding to the system whilst the highest figure of R32,500 may be considered generous, representing as it does three full meals a day. The average figure from all of the data is R13,130.

Applying the 2:5:2.5:1 ratio formula suggested above and assuming a living allowance of R13,130 as per Table 1, indicates a book (learning materials) allowance of R6,565, an accommodation allowance of R 32,800 and a travel allowance of R16,400. Thus, total allowances would be c. R68,900 for a 10-month year. This is a considerable hike from the figures from earlier years. It also represents an income in the seventh decile of income distribution in the country<sup>17</sup>. This seems excessive. The fourth decile would suggest an income closer to R47,000 for the 10-month academic year.

Allowance rates for new cohort students have been discussed with the Department of Higher Education and Training (DHET) for 2019 at R5,000 for books, R14,400 for a living allowance and R10,000 for travel. Using the R47,000 annual allowance as a reasonable and comparative base with the rest of the country would leave an accommodation allowance of R17,500. This is low for university or college residences but not out of line for reasonable shared external accommodation. Currently, there is a paucity of hard evidence on costs of informal accommodation, particularly in the rural universities. However, anecdotal evidence suggests that R1,750 per month would provide reasonable shared external accommodation.

Old cohort students will receive allowances under the same conditions as when they first received the financial support with fees, accommodation and allowances being capped at R83 600. Each institution sets its own allowance limits and receives its fee payments before the payment of allowances to students. If the cap is triggered, it is the student allowances that are cut accordingly. In addition, for

<sup>17</sup>Living Conditions of Households in South Africa, Statistics South Africa, Statistical Release 0310, Table 7.5.4

those universities and colleges whose 2017 allowances (books, meals and transport) are at or above the agreed 2019 new cohort student allowances, the practice is to keep the allowances at the same level as 2017. For those universities and colleges whose allowances are below those of the new cohort students, a maximum 5% increase on 2017 values was applied for 2018.

The new cohort students' 2019 allowances are roughly 5% higher than the 2018 allowances. A similar increase of 5% on 2018 allowances for the old cohort students whose allowances are below the new cohort levels would leave the remaining shortfall intact. As the average old cohort student comes from a lower family income household (maximum R122,000) than the average new cohort student (maximum R350,000), it seems perverse to treat them more harshly. Nonetheless it is to be recognized that old cohort students enrolled in institutions with higher allowances than those proposed remain at an advantage.

## DISCUSSION AND RECOMMENDATIONS

Just as the statistics reported in the Living Conditions of Households in South Africa reflect a considerable variation in spending patterns between different racial and economic cohorts, so it will be with students. Consequently, the establishment of appropriate allowances becomes more of an art than a science and ultimately needs to be evaluated on what appears both reasonable and fair.

Research published by the Human Sciences Research Council in 2010 demonstrates that a lack of finance is one of the most dominant reasons provided for students leaving higher education prematurely. This cohort study of a group of students at selected universities concluded that poverty was “the most important issue” to be addressed in remedying student dropout rates<sup>18</sup>. The importance of nourishment, learning materials, suitable accommodation and ability to attend classes for successful study is not disputed. Therefore, allowances cannot be unrealistically low when they are designed to support the “poor and working class”. Equally, with funding coming almost exclusively from government they cannot be excessively generous.

On the basis of the analysis above, the proposed allowances of R14,400 for food, R5,000 for learning materials and R10,000 for travel are reasonable from both a fiscal and equity perspective. Based on the above it is proposed that an accommodation allowance for those living off campus and out of residence be set at R17,500<sup>19</sup>.

Fairness would dictate that allowances across all categories of students are brought into line. A TVET student requires as much nourishment as a university student. A student travelling 6 kilometres to college may require a travel allowance for safety reasons more than a student living 12 kilometres away from university but in a safer area. It is, therefore, recommended that the distinction and evaluation of different allowances be abandoned in favour of a ‘total student allowance’ that should be set at R47,000 for 2019.

Whilst it is recognised that many TVET students are not always registered full time, there should be a commitment that all full-time equivalent students, whether at university or college, should receive the same learner allowance. This should also be the case for old cohort students.

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<sup>18</sup> Letseka, M., Cosser, M., Breier, M. & Visser, M. (2010) *Student retention and graduate destination: higher education and labour market access and success*. Cape Town: HSRC Press

<sup>19</sup> It must be acknowledged that nuancing this rate is key to removing inequalities, but the data to inform this exercise is yet to be comprehensively recorded. A key current research gap is thus to understand varying accommodation rates and quality across different provinces and institutions.

There should be a commitment to pay the learner allowance before any payments are made towards institutional study fees. Those universities where the fees plus allowance exceed the current DHET determined *funding cap*<sup>20</sup> are, by definition, the institutions with the highest fees. It should be incumbent upon them to find the necessary additional bursaries to meet the fee shortfall for NSFAS students.

The question of whether the amounts provided are enough and appropriate will always arise, particularly given the increasing pressure on NSFAS funds to support students more holistically and successfully. Notwithstanding, it cannot be ignored that a large proportion of students are facing legitimate and severe challenges with regards to the affordability of study<sup>21</sup>. The rising cost of living coupled with consistent fee increases, has meant that many students are struggling to access basic necessities; and as attested to by a wide body of research, there is a clear relationship between being food insecure, academic performance and outcome<sup>22</sup>. A study at the University of Kwazulu-Natal (UKZN), further confirms that, students on financial aid are significantly more vulnerable to food insecurity when compared to those that are not receiving financial aid<sup>23</sup>.

Thus, allowances must be set at an appropriate level to be effective in supporting student success. Equally, they must be set within budgetary limits. There is a paucity of published work that considers the appropriate level and the supporting principles by which allowances might be set and standardised across the PSET system. This brief is a first step in establishing such a debate.

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<sup>20</sup> This is the maximum award size for an annual award to continuing university students who had entered the system prior to 2018 and is determined and set annually by NSFAS.

<sup>21</sup> Letseka, M. & Maile, S. (2008). High university drop-out rates: A threat to South Africa's future. HSRC Policy Brief. Pretoria: HSRC.

<sup>22</sup> Van Den Berg, L. & Raubenheimer, J. (2015) Food insecurity among students at the University of the Free State, South Africa. *South African Journal of Clinical Nutrition*, Vol. 28(4): 160 – 169.

<sup>23</sup> Munro, N., Quayle, M., Simpson, H. & Barnsley, S. (2013) Hunger for knowledge: Food insecurity among students at the University of KwaZulu-Natal. *Perspectives in Education*, Vol. 31 (4): 168 – 179.