Government drops the axe on Educor campuses − a gain or a grief for private higher ed?

Over 13 000 students in South Africa's higher education system have been left stranded after their campuses were effectively shut down by government in March. This includes over 60 campuses of Damelin, City Varsity, Lyceum and ICESA, all subsidiaries of the private group Educor Holdings. The Department of Higher Education and Training (DHET) had been in the process of deregistering these institutions since July 2023, but the final decision was made on 22 March.

A DHET-led investigation into Educor uncovered a litany of governance breaches, including inflated enrolment numbers and student grades, presumably to appease investors. Issues of mismanagement at Educor go back much further. In 2007, its previous owner, Media24, sold it off to Icesa Education Services – an alleged move to offload a high-risk investment. Educor's more recent scandals include being evicted from its premises in Sandton for failure to pay rent and losing accreditation for a range of diploma, certificate and degree programmes due to inadequate quality standards.

Following its deregistration, Educor may no longer enrol any new students, and it must submit a 'teach-out' plan to ensure current students can finish their programmes, transfer to alternative institutions, or else receive tuition reimbursements. Rival colleges have offered to absorb impacted students. The Independent Institute of Education (IIE), tertiary arm of ADvTECH, who leads the private tertiary market (see graph below), said they are ready to help former Educor students integrate into their campuses.

Experts have been projecting increased consolidation in the private higher ed market, which grew its student base by 106% from 2012 to 2022, compared to only 15% at public universities. Budget pressure and governance challenges facing public institutions such as UNISA has led to a boom in the demand for private college education. Still, public entities dominate the market, accounting for 83% of the 1,3 million tertiary students in South Africa. But the public vs private market share is expected to rebalance, especially in light of the latter's lobbying for regulatory changes to classify their campuses as 'universities', given the widespread perceptions of superior value associated with older public institutions.

Published as part of the Scan@IFR publication of the Institute for Futures Research, Stellenbosch Business School.
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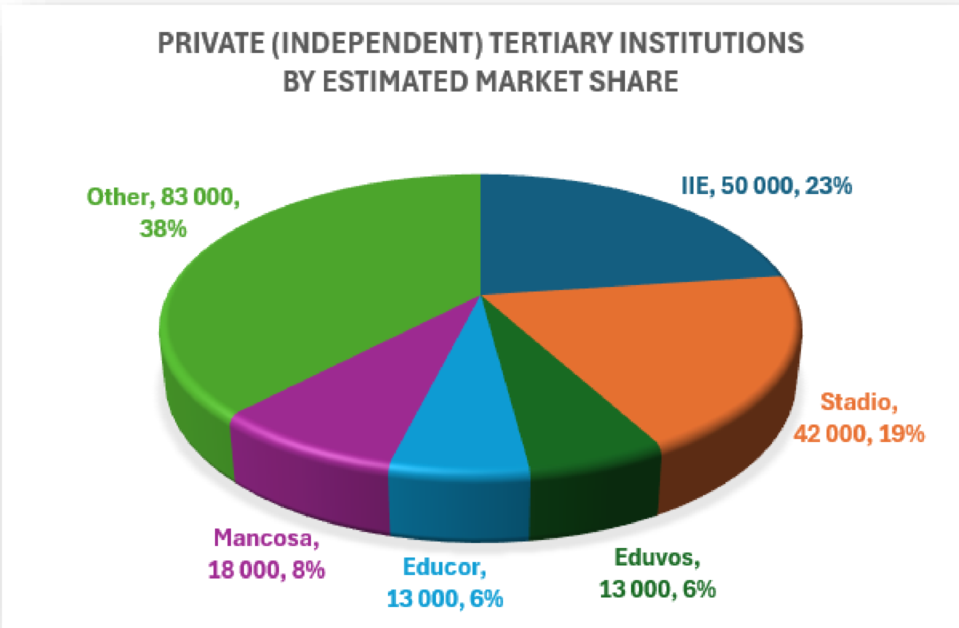

What now for the private higher education sector?

Even if Educor students succeed in transferring to other campuses, the company's shutdown will likely have a damaging effect on people's perception of independent colleges, which may harm the industry's reputation in the short-term, and perpetuate long-held beliefs that a university education is far superior than alternative tertiary options. Ultimately, however, ridding the industry of rotten apples like Educor may end up improving quality across the sector in the longer term, creating room for frontrunners to build on their recent successes.

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