



By Anas Alam Faizli

Education was institutionalized to formalize the process of knowledge acquisition and research in man's quest for understanding. Earliest universities in the history of mankind namely Al-Azhar, Bologna, Oxford, Palencia, Cambridge and University of Naples (world's first public university, 1224) have one thing in common; they were built by notable early world civilizations as institutions of research, discourse, learning, proliferation of knowledge and documentation. This contrasts largely from the role of universities today as institutions of human capital accreditation, qualification, and most unfortunately, business and profits.

Ibnu Khaldun, father of historiography, sociology and economics, in his work Prolegomenon (Muqaddimah) argued that the government would only gain strength and sovereignty through its citizens. This strength can only be sustained by wealth, which can only be acquired through human capital development (education), which in turn can only be achieved by justice and inclusiveness for all. Aristotle too proposed "Education should be one and the same for all." A system that discriminates, in our case, based on household economic ability, can and will rile an unhealthy imbalance in the quality of the resulting labour force and society. These form the basis of our argument here.

In America, the individual funds his higher education while many European countries have public-funded institutions of higher learning. The latter is the best for Malaysia. Our societal and economic progression (or digression) does not depend on any one factor, but on the interaction of economic, social and political factors over a long period of time. Let's first look at some realities that we need to contend with to understand why the Malaysian government should fund higher education.

Reality #1: Society benefits from education

We can never truly measure the immense positive externalities derived from an educated society. Outcomes of university education and research continuously found the progress of mankind. In developing Malaysia, higher education is an impetus for establishing a civic-minded society, highly skilled manpower and competitive value proposition for capital and production. Investing in education may cost the society tax Ringgits, but the consequences in failing to do so will be devastating. Walter W. McMahon (economist at University of Illinois) outlined the "private non-market benefits" for degree-holders. These include better personal health and improved cognitive development in their children. Alongside is the "social non-market benefits",

such as lower spending on prisons and greater political stability.

Reality #2: “Neither here nor there”

Malaysia is neither here nor there, and education opportunity is a major contributing factor. Robert Reich, former U.S. secretary of labour and professor at UC Berkeley, made a compelling argument that is very applicable to Malaysia. To attract jobs and capital, nations and states face two choices; one is to build a low-tax but low-wage “warehouse economy” competing on price, another is to compete on quality, by increasing taxes and regulation to invest in human capital for a highly productive workforce. In Malaysia, wage growth caught up with productivity growth only up until the late 1990’s. Since 1996, we have been living in the “middle income trap”, stunted at the World Bank’s definition of upper middle income; neither high nor low income. In fact, for the past 10 years real wage growth has been negative. Having 77% of the Malaysian workforce with only SPM and below qualification is a structural barrier to us crossing over to the higher income group. The labour force is largely unskilled and unable to move their labour services up the value chain where higher salaries are paid.

Reality #3: Education is fundamental to a competitive value proposition

Another case for education is competitiveness for both FDI and outputs. On the FDI side, our

factors of production, in this case labour, needs to be attractive enough. With a labour force that is neither highly skilled nor cheap, our value propositions dwarf next to the likes of Vietnam and Singapore. As a result, technology and automation service the lower-value processes replacing need for labour, while R&D and origination have not caught up due to lack of expertise. Malaysia has been the only country in the region facing net outflow in FDI since 2007.

On the output side, our goal to move away from producing lower-value manufacturing and primary goods, into the higher-value services sector too have been held back by limited talent and capabilities. Lack of advanced education is one major factor causing this lack of competitiveness.

Reality #4: Efficiency driven economy versus Innovation driven economy

A study released by the Global Entrepreneurship Monitor (GEM) categorizes Malaysia as an efficiency-driven economy, behind innovation-driven economies. We focus on improving existing processes, but we are not out there inventing new things where the big money is. Focusing on the latter is extremely important now more than ever for Malaysia, because we can no longer offer very cheap labour, land and factories to produce mass generic products competitively. The number of researchers in Malaysia for each 1 million population is only 365 behind Japan's 5,416 and South Korea's 4,231. We are in dire need for more trained professionals and innovators, and we could have harvested them from talents that did not pursue tertiary education due to the lack of opportunities.

Reality #5: Education is an investment...

Like parents investing in their children's future, the state must invest in the population for the future of the nation. An educated society is able to position themselves into higher standards of living characterized by higher income, production of high value goods and services, longer life expectancy, subscription to civic and moral values, political stability, existence of civil liberties and openness to change and development. While highly developed nations like Denmark and the Netherlands invest 11.2% and 10.8% (respectively) of GDP in education, we invested only 4.8% last year (majority on infrastructure and emoluments!). To make matters worse, the education budget education is slashed from RM50 billion to RM37 billion this year! To get an idea of how counter-intuitive this is for a developing Malaysia, even Afghanistan (7.4%), Vietnam (7.2%) and Timor Leste (12.3%) spent more.

Currently, about 80% of the bottom 40% income households are only-SPM qualified and below, while only 5% received higher education. The rest never made it to school at all. The reason is crystal clear; it is education that can lift households into higher income thus significantly reducing poverty and its consequences. If this group were to receive higher education, it is the state that ultimately benefits as social capital is returned from the household to the state in increased production and tax income. Social justice is served; while nobody is left discriminated or neglected from being given an opportunity to develop his or her own merits.

Reality #6: ... with a Positive Net Return-on-Investment (ROI)

Entertain this simple simulation: Consider a fresh graduate entering the workforce with a salary of RM2,500, working for 30 years with a modest increment of 5% a year. Upon retiring at the age of 55 years, he would have paid back at least RM290,000 to the government only in income taxes. Even after discounting, payback in taxes is significantly beyond the investment cost providing education.

Reality #7: Education correlates with wealth and income

Tertiary-educated individuals have an average of RM182,000 in wealth to their name, while SPM holders have only an average RM82,000 in net worth. Degree holders have at least 2.2 times the wealth of SPM leavers. But the tertiary education penetration rate for Malaysia stands at only 36.5%. This is only measured at point of enrolment (not completion)! Not only we are significantly behind “very high human development” nations’ average of 75%, we are also behind “high human development” nations’ average of 50%. In contrast, 86% of Americans, 84% of Kiwis, 100% of Koreans, 99% of the British, 45% of Thais, and 38.4% of Turks are university-trained. As a result, the bulk of our workforce is unable to position themselves in higher-earning jobs. The bulk of our jobs involve the lower portions of the industry value chains. How are we then to move our economy into higher GNI territory, and inclusively move the majority of our population into higher income brackets? Current practice of relying on one-off mega construction projects will not ensure Malaysia move into high-income status, and stay there for the long run!

Reality #8: Education will reduce income inequality

Malaysia ranks as the third most unequal nation in Asia, based on a GINI coefficient of 0.4621 (World Bank). Using only GINI, a simple measure of dispersion between the richest and poorest in an economy, we can already see that there are structural problems with the kind of growth that we have been enjoying. A household that earns RM10,000 monthly and above is already considered the top 4% Malaysian households! 60% of the highest earning income households have at least one member that received tertiary-level education. But 60% of the lowest-earning households have only SPM-holders as their most qualified household member. Not coincidentally, only the top 20% income households in Malaysia have experienced substantial income growth. For the remaining 80% it has been moderate. The gap between the rich and poor has been consistently growing from year 1970 until today. Only non-discriminatory access to education for the bottom 40% will arrest the growth of this gap.

America perceives that the benefits of tertiary-level education are enjoyed most by the individual himself, thus the individual funds his higher education. The Scandinavians believe that the government should pay for higher education. On one hand, we see a privately funded education system in America, and growing inequality between the relatively richer and poorer households. There is at least \$902 billion (NY Federal Reserve) in total outstanding student loan debt in the United States today. In contrast, government-funded higher education Scandinavia ranks as most equal nations in the world. The apparent causal-effect relationship here is hard to dispel.

We expect free access to education to allow inter-generational mobility and narrow this inequality gap. If we let economic disability become a prohibitive factor for education, relatively poorer households will never be lifted out of the low-income bracket.

One graduate for every Malaysian family

We need an education system that is inclusive, does not neglect academically-struggling yet vocationally-advantaged pupils, matches industry requirements, yet streams students into disciplines where they will excel most. Most importantly, the system must not allow students to find themselves at the point of entering the industry, handicapped with a student loan on their shoulders, only to realize that they are not employable.

Malaysia has progressed in many aspects by making primary and secondary education free. 100% of Malaysians finish at least primary 6 and 68% finish form 5. The current socio and economic condition in Malaysia now calls to make finishing form 5 legally compulsory and providing free and accessible tertiary education for all.

I humbly urge the government, non-governmental bodies, policy-makers, and lobby groups to move towards providing free tuition fees for higher education at all our public universities. Where public universities are unable to cater for surplus of qualified students, it is suggested that the same equivalent amount of tuition fee funding is to be provided for private universities in a staggered manner, so as to ensure education accessibility by all.

I also propose the target of one graduate in each of the 6.4 million Malaysian households to ensure inter-generational mobility; that is for at least one child of a self-subsistent fisherman or low-salaried factory worker to uplift the entire family into a higher income bracket. A graduate in each family will be the change-agent that ensures his generation improves the family; via a chain reaction multiplying effect, ultimately affecting the graduate's surroundings.

Education is way too important for us to risk any mismanagement, oversight and underfunding. The generations that go through a robustly managed quality education system, or lack of them, will ultimately decide Malaysia's direction and the society that we will live in. Only then we can fundamentally assure that our true north for a high income Malaysia is sustainable, inclusive and is enjoyed by all layers of society - not just for the Top 1%. Let us reflect what Nelson Mandela said for a better Malaysia! "Education is the most powerful weapon you can use to change the world."

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**** Datas and figures are derived from EPU, DOSM, HIS 2009, HDR 2011, World databank and BNM. For details, please refer BLINDSPOT (<http://www.facebook.com/blindspot.msia>)**