

# Preserving Higher Education as the Great Equaliser

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## Introduction

Horace Mann, the American education reformer, once claimed that education was "the great equaliser of the conditions of men". Indeed, numerous research findings have established a strong link between a child's education and their future income prospects, supporting Mann's statement<sup>1</sup>. Having a good education, particularly at the tertiary level, is regarded as a pathway to move up the income ladder, with graduates typically commanding higher earnings compared to non-graduates<sup>2</sup>. In Malaysia, the average monthly pay for workers with tertiary education was RM4,553 in 2018, more than double than those with secondary education (RM2,215).

<sup>1</sup> For example, see Jerrim and Macmillan (2015) for more information on how a child's education mediate the relationship between their socioeconomic background and earnings, and a review of past studies.

<sup>2</sup> Halikias and Reeves (2017)

The gap is even wider when compared to those with only primary or no formal education<sup>3</sup>.

Although studies of social mobility in Malaysia are limited, it is widely accepted that higher income is associated with higher educational attainment. Using survey data of children born during the New Economic Policy (NEP) era, Hawati et al. (2019) show that a large percentage of children from low-income households who had tertiary education experienced upward mobility, measured in terms of higher income compared to their parents in absolute amount as well as in relative terms (i.e. higher income brackets).

Another study by Muhammed et al. (2016) exploring the determinants of upward mobility using regression analysis found that tertiary education is a major determinant of upward mobility for children from the B40 households<sup>4</sup>. According to this study, having tertiary education made these children 4.6 times more likely to be upwardly mobile relative to others<sup>5</sup>.

Based on the existing evidence, tertiary education is generally considered a means to promote upward social mobility especially for the poor, thus justifying government funding of higher education.

### **Subsidising the upper-middle class over the poor**

In the United States, there is widespread belief that higher education is an equalising tool that gives every child, regardless of personal or family means, an equal opportunity to improve their destiny<sup>6</sup>. Public funding was channeled to subsidising universities to reduce the barriers in accessing tertiary education. Additionally, meritocracy—a system that rewards individuals on the basis of ability, talent and hard work—is traditionally considered a cornerstone of the American dream.

However, recent trends undermine this narrative. Chetty et al. (2017) found that student placements in top universities receiving high public funds were mostly taken by the relatively well-off. According to their study, more than 30% of students in these universities were from the top fifth of the US income distribution<sup>7</sup>, whereas students from the bottom fifth comprised less than 10%. As students enrolled in these universities were supported directly by scholarships and study loans from public resources, and indirectly through subsidies to the universities, it has been argued that a significant portion of these benefits were enjoyed by those from the upper echelons<sup>8</sup>.

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<sup>3</sup> DOS (2019)

<sup>4</sup> B40 households are households situated at the lowest 40% of the household income distribution.

<sup>5</sup> Muhammed et al. (2016)

<sup>6</sup> Rhode et al. (2012)

<sup>7</sup> Income here refers to parents' income. Data was collected from federal income tax records. Source: Chetty et al. (2017)

<sup>8</sup> Halikias and Reeves (2017)

This phenomenon was previously explained by the Director's Law, named after Aaron Director, an economist who asserted that government assistance favours the more politically influential middle class, not the poor. The middle class continues to be an influential interest group in a democratic society due to its size, social capital and political influence. These strengths are used to lobby for and legitimise state benefits and minimise the costs they privately bear. In more recent years, this argument has been refined to lay blame on the upper-middle class<sup>9</sup>. This misallocation has a large opportunity cost in depriving public resources from those in greater need and subsequently could perpetuate and exacerbate existing inequalities<sup>10</sup>.

## Socioeconomic background of students in higher education institutions

In Malaysia, as is often the case elsewhere in the world, the education sector is heavily funded by the state. For example, in the 2020 Budget, the government allocated RM64.1b to the Ministry of Education (MOE)—the largest allocation to any ministry. Of this amount, RM11.4b, or almost 20% is intended for the higher education sector<sup>11,12</sup>. Considering this relatively huge amount, it is worthwhile reviewing the profile of the students i.e. those benefiting from the budget, both directly and indirectly.

Information from the MOE's 2017 Tracer Study otherwise known as *Kajian Pengesanan Graduan* (KPG) would be able to provide some insights<sup>13</sup>. We believe that examining this survey dataset is a good starting point since all graduates of Malaysian higher education institutions are required to participate. Specifically, we analyse the self-reported family income data of 77,379 bachelor's or first degree graduates from public universities in 2017. Figure 1 shows that 14,827 graduates (or almost 20% of the total graduates) were from families earning below RM1,000 per month. Considering the average absolute poverty line is currently around RM1,000<sup>14</sup>, the data reveal that almost a fifth of these graduates were from poor families<sup>15</sup>. In contrast, only 11,167 graduates (or 14.4%) were from families earning more than RM5,000 monthly.

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<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> MOF (2019)

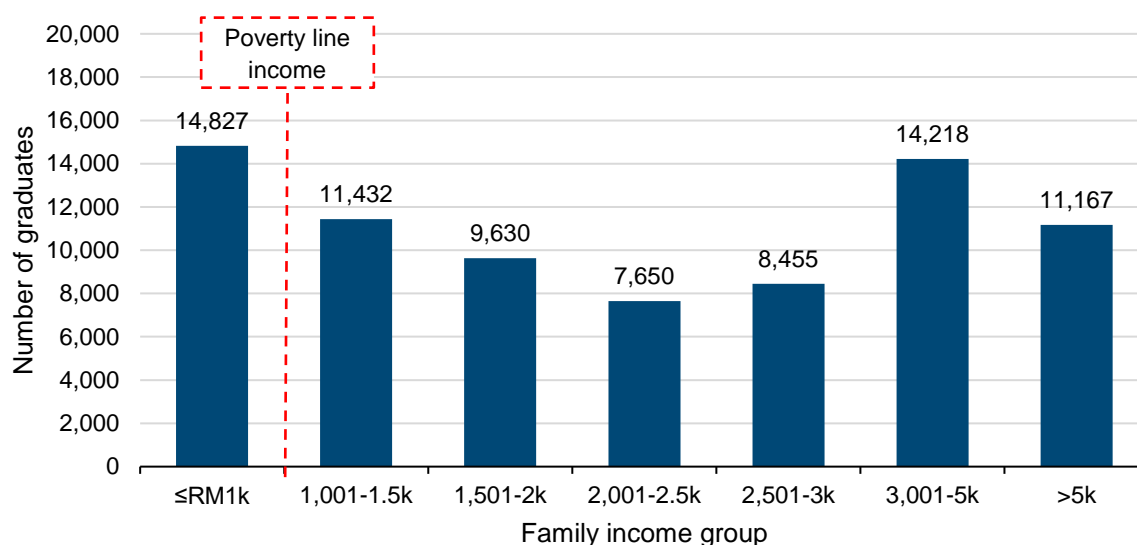
<sup>12</sup> Following Malaysia's change in government in early-2020, the Ministry of Higher Education has been reinstated as a separate ministry from the MOE, though it remains unclear how much of the budget for higher education would be redirected to the newly formed ministry. Additionally, the budget may be calibrated following the drop in oil prices making it possible for the allocations to change. Sources: Anis and Tan (2020), Aziz (2020)

<sup>13</sup> The 2018 KPG report discloses family income data for unemployed graduates only. Therefore, we use the 2017 data as they provide a more complete picture of the graduates' profiles.

<sup>14</sup> The poverty line income for Peninsular Malaysia, Sabah and Sarawak in 2016 is RM960, RM1,180 and RM1,020, respectively. Source: DOS (2017)

<sup>15</sup> Family income here refers to total family income and does not take into account household sizes, rendering it biased towards smaller household sizes. We urge our readers to be cautious when interpreting Figure 1. For more information on this, refer to KRI (2019).

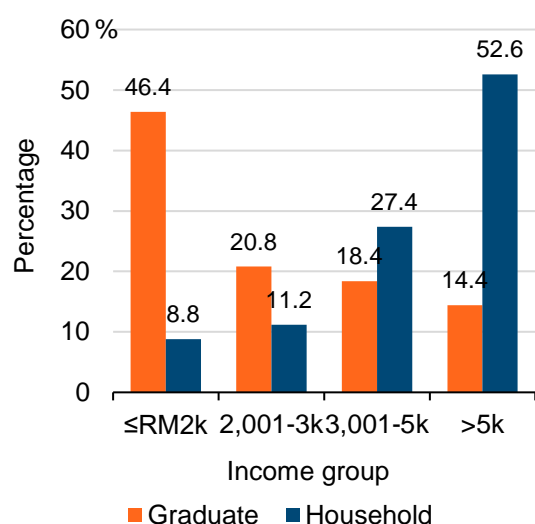
**Figure 1: Graduates of public universities by family income, 2017**



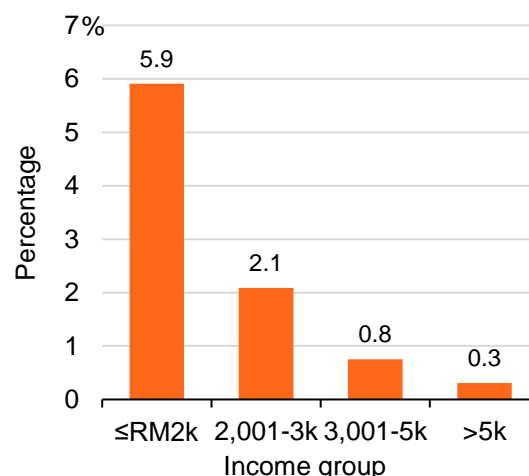
Source: MOE (2018)

Comparing the shares of graduates and households between groups is useful to show representation since households are not equally distributed (into each income group). In Figure 2, we can see a concentration of graduates at lower income groups e.g. while 8.8% of the households were in the RM2,000-and-below income group, close to half of graduates were from this group. Similarly, the pattern is even clearer when the number of graduates is shown as a percentage of total households by income group. Figure 3 shows that the percentage of graduates from the lowest income group (RM2,000 and below) is the highest at 5.9%, reinforcing the fact that that our public universities are still catering to those from less privileged households.

**Figure 2: Distribution of graduates vs households, by income group, 2017**



**Figure 3: Graduates as a percentage of total households, by income group, 2017**



Note: The income groups were consolidated into just four groups to match the data from MOE (2018) and DOS (2017). Household data is for 2016.

Source: Authors' calculations based on summary statistics by MOE (2018) and DOS (2017).

While informative, the Tracer Study only collected information from graduates who completed their studies, which may not reflect the socioeconomic standing of all students who have enrolled in the public higher education institutions<sup>16,17</sup>.

This limitation can be addressed by looking into information on enrolled students. Figure 4 utilises data of 3,572 youths enrolled in higher education institutions collected for the 2017/18 KRI School-to-Work Transition Survey (SWTS). Using a stratified two-stage sample design, the survey is representative of students in higher education institutions under the purview of the MOE including universities, Institutes of Teacher Education (IPG) and various types of colleges. Even though the SWTS includes both public and private institutions, our focus is on the former since government allocations provide their major funding whereas the latter rely more on other income streams such as student tuition fees. As income data was not collected, we use the parents' highest education level as a proxy for the students' socioeconomic status<sup>18</sup>. For simplicity, we choose the highest education level between the two parents. For example, if the mother has a bachelor's degree whereas the father has an upper secondary level education, then bachelor's degree is considered as the parents' highest education.

Figure 4 shows that, overall, 43.7% of students in public higher education institutions were from families where the parents had secondary education at most. Even when the findings are broken down by students' education level, most students had parents who had at least attained secondary education. Since education level is generally believed to be closely linked with income level, this finding suggests that majority of the students were not predominantly from high economic background.

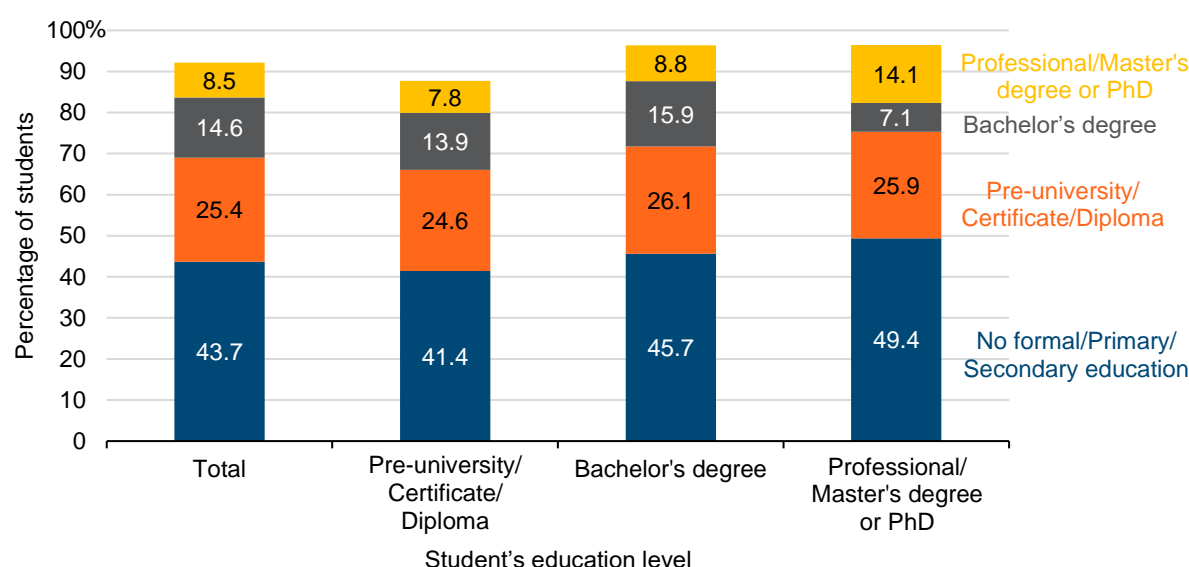
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<sup>16</sup> One issue is that the likelihood of not graduating, dropping out or being expelled may be correlated with socioeconomic status. The direction of this correlation can go either way e.g. students from richer families opt to pursue schooling in private institutions or overseas instead or students from poorer families may lack funds to continue. Also, as the data were collected after graduation, family income may be affected by graduation status e.g. as individuals graduate and secure jobs, family income increases which means the actual share of graduates from low-income families may actually be higher.

<sup>17</sup> To the authors' best knowledge, there is no publicly available information on the number of dropouts or expelled students. Back in March 2009, the Dewan Rakyat reported that 4,800 students become dropouts or are expelled from public higher education institutions every year, constituting about 1.5% of the yearly enrolments. Source: Parlimen Malaysia (2009).

<sup>18</sup> Jerrim and Macmillan (2015) argue that parents' education may be preferable anyway as it is likely to capture a broader set of inputs into children's development including parents' income and social capital.

**Figure 4: Share of students in public higher education institutions by parents' education level, 2017**



Note: The shares do not add up to 100% as 'Don't know' responses were excluded.

Source: Authors' calculations based on KRI (2018) 2017/18 SWT Survey

Beyond survey data, enrolment data for learning institutions under the Majlis Amanah Rakyat (MARA)—a government agency<sup>19</sup> with a long history of providing education services at secondary and post-secondary levels—indicate that students from rural households typically with lower incomes, constituted around 60% of total enrolment every year across all types of MARA learning institutions. In fact, enrolment rates for students with lower income backgrounds such as the B40 group in MARA's Technical and Vocational Education and Training (TVET) colleges e.g. Giat MARA and Institut Kemahiran MARA (IKM) are even higher, at close to 80%<sup>20</sup>.

## Discussion

The above statistics suggest that Malaysian public higher education institutions are still serving the needs of students from economically less advantaged backgrounds of the society. In 2017, close to half of graduates were from households earnings less than RM2,000 per month. The proportion of graduates from households in this income group was the highest compared to other income groups. Nonetheless, trends in student enrolment at these institutions require continuous scrutiny, especially with the increasing emphasis on meritocratic ideals based on talent and effort.

Despite the conventional wisdom that education is important to narrow the disparity between societies and within a society, it could also serve as a means to exacerbate inequality: Education forms a basis for skills, knowledge and network accumulation which in turn contributes to "social capital" formation and could perpetuate inequality. In reality, children from well-off families were born in "privileged" conditions and start well ahead of children from poorer families. The former have advantages as they are sent to the best kindergartens and schools. These advantages are

<sup>19</sup> Under the purview of Ministry of Rural Development.

<sup>20</sup> Parlimen Malaysia (2019), MARA (2018)

also rooted in their physical and cognitive developments as the parents have better access to resources to ensure their children have health, care and nutrition advantages from conception through childhood and adolescence<sup>21</sup>. In this regard, wealth seemingly reflects the distribution of talent as a result of privileged parents' help to augment their children's talent and gain advantages over the course of the children's lives. In turn, it is argued that meritocracy is no longer based on individual merit i.e. natural talent plus effort, but instead, on social origins<sup>22</sup>.

Even so, this does not negate the importance of meritocracy. Rather than dismissing it entirely, meritocracy should be practiced with caution and with a clear awareness of who would be left behind in the academic arms race. An open, inclusive and broad educational system must be ensured to provide the workforce needed. While the student demographics of our public higher education institutions are commendable, they should be monitored to ensure that social mobility opportunities through higher education are equitably distributed to bring everyone to a level playing field.

Thus, data collection on prospective and current students' socioeconomic background must be strengthened to make better informed policies on the admission process into public universities. Additionally, having this data gives universities the capacity to better identify and assist disadvantaged students. Considering the contribution of tertiary education to upward mobility for the poor, measures can be put in place to ensure these kids remain in school during times of crises including providing the equipment for online learning should long-distance learning become necessary. Events such as the Covid-19 pandemic will be a dent to Malaysia's progress in reducing inequality and promoting social mobility. We should ensure that higher education continues to be a platform that can cushion these impacts.

## Conclusion

Undeniably, the issue of enrolment in public higher learning institutions is not as straightforward as it seems especially when the discussion involves meritocracy, equal opportunity and what they mean in a "fair" society. While the statistics presented in this paper offer one additional information that might be worth considering in the larger conversation on this topic, more research is necessary to find the right balance in the policy direction and sorting mechanism, ensuring no one gets left behind.

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<sup>21</sup> Lake (2017)

<sup>22</sup> Appiah (2018), Menand (2019), Mijs and Savage (2020)



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