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Indonesia Development Forum 2017

Fighting Inequality for Better Growth

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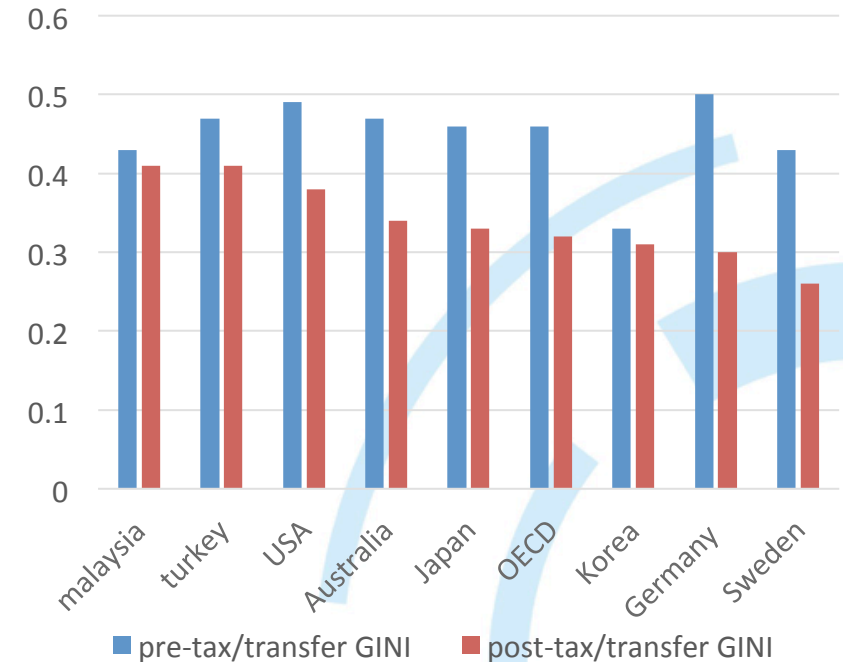
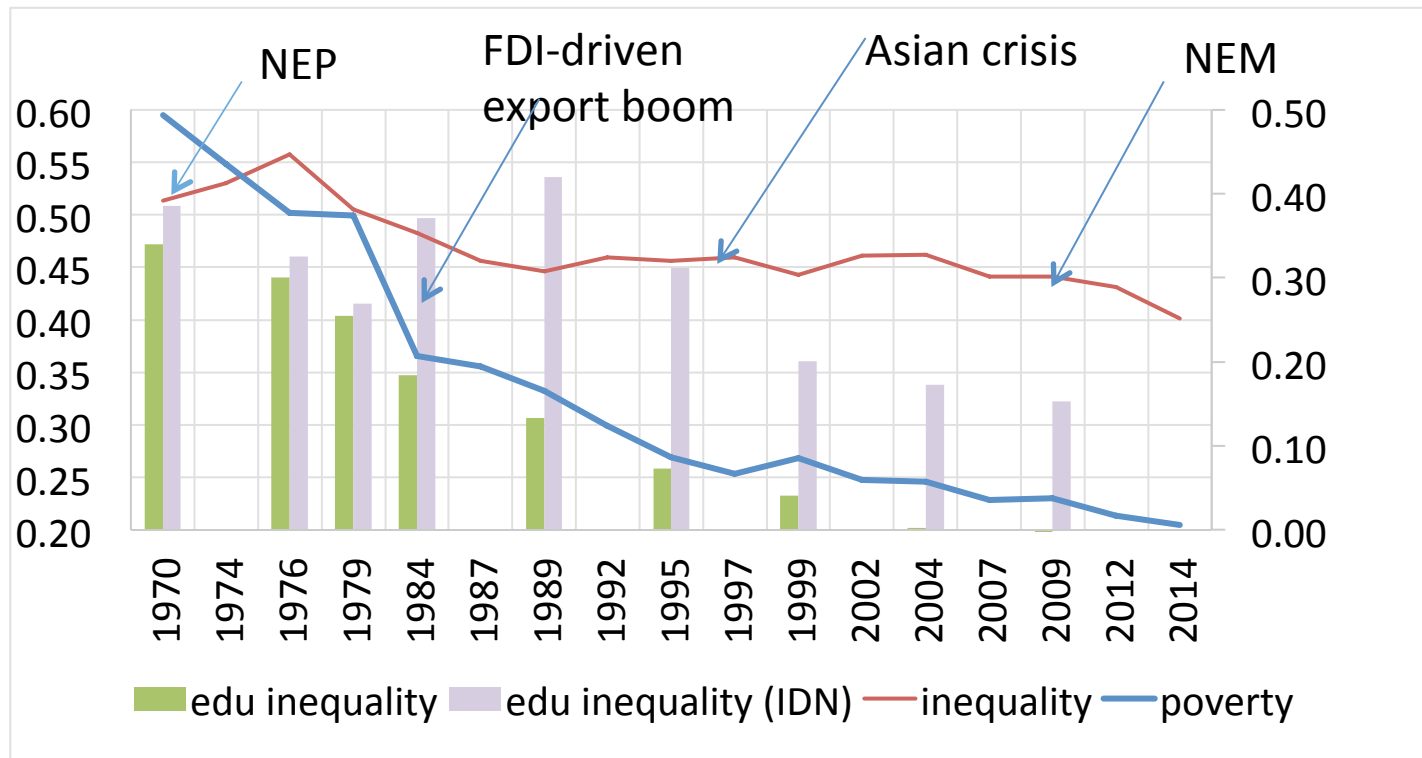
How Can Malaysia Reduce Inequality through Education?

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- Malaysians worried about inequality – one-third surveyed by PEW thinks it has increased
- Not a matter of ethnic gaps or rural-urban divide; also not about pre-transfer/tax data
- Key to inequality reduction is expanding the “middle class” - invest in post-secondary education (WB 2014)
- Education seen as an equalizing force in all policy documents – large allocations sustained
- NEP 1970-1990; NEM 2010; GTP Blue Print; Wawasan 2020; Education Blue Print; 11th Malaysia Plan



Source: author based on secondary data

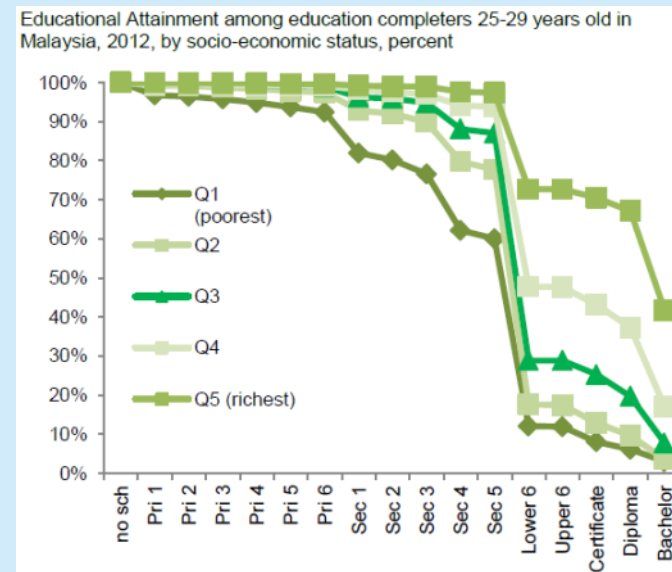
CHALLENGE 1: Addressing inequality in post-primary education

Changing shape of the earnings function –higher returns to post-secondary education

Modest rise in post-secondary graduates in Labor Force (1990-2010) *but* still lags in tertiary education (figures for 2012)

Participation gap widens & larger across income groups (compared to ethnicity gap)

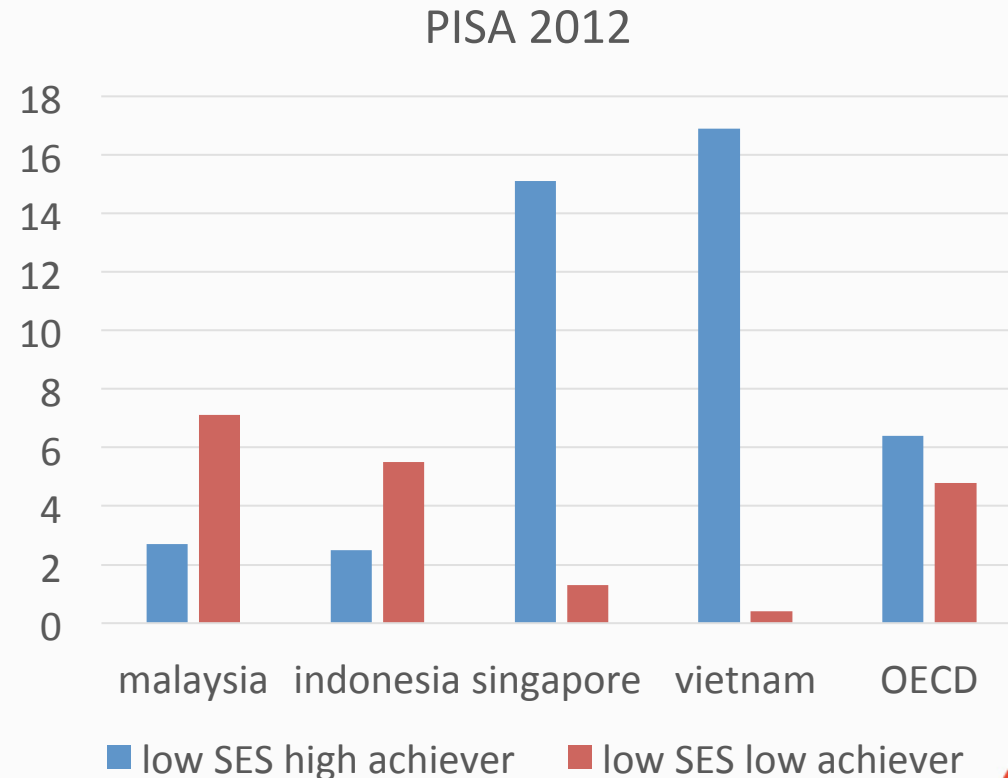
- Entry of private providers in higher education



Source: WB 2014

CHALLENGE 2: Increasing the level of learning & reducing inequality in education quality

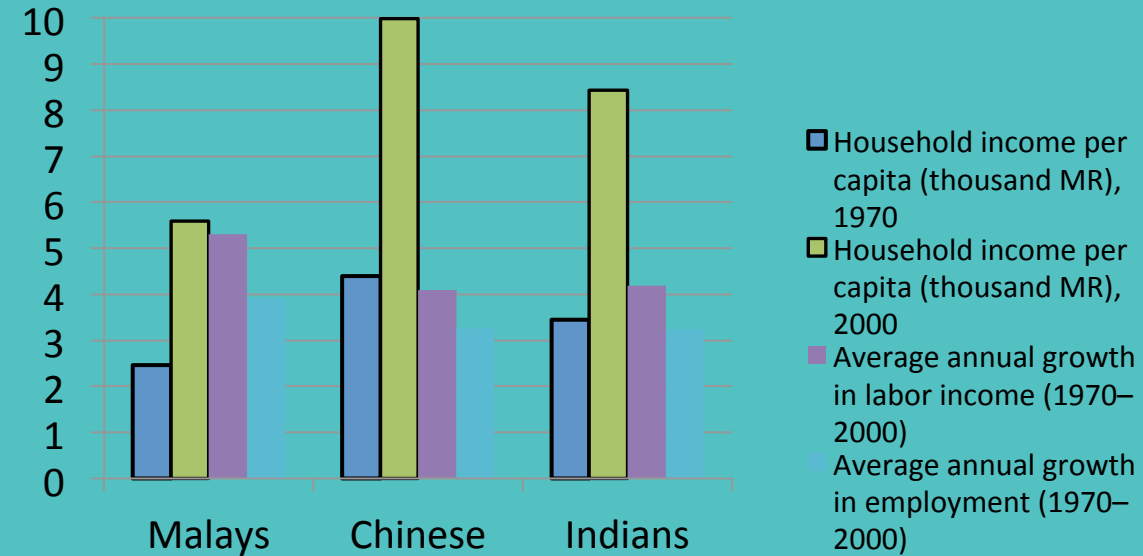
- Stuck in the bottom third of international assessment of student performance
 - share in top 10% is also low
- Flatter grade-learning profile



Source: author's calculation based on OECD 2014

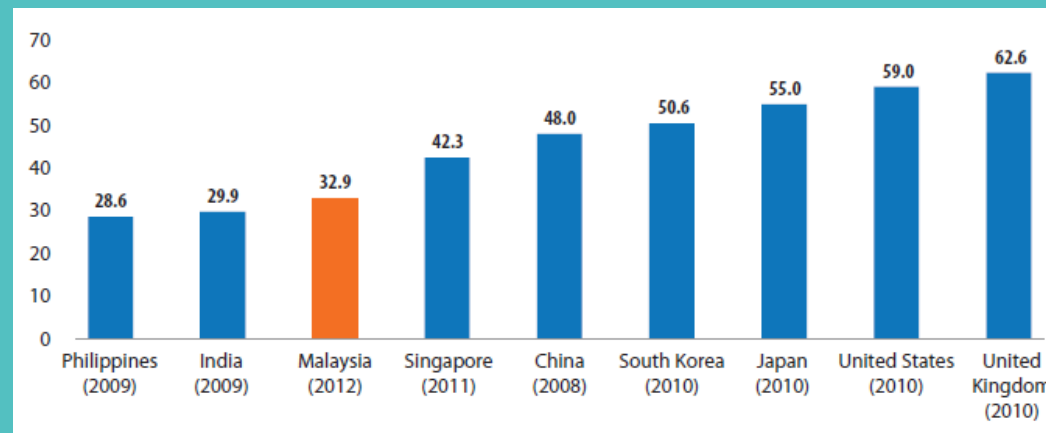
CHALLENGE 3: Increasing labor income and employment growth

Labor income and employment growth was significant during 1970-1990



Source: author's calculation based on Saari et al

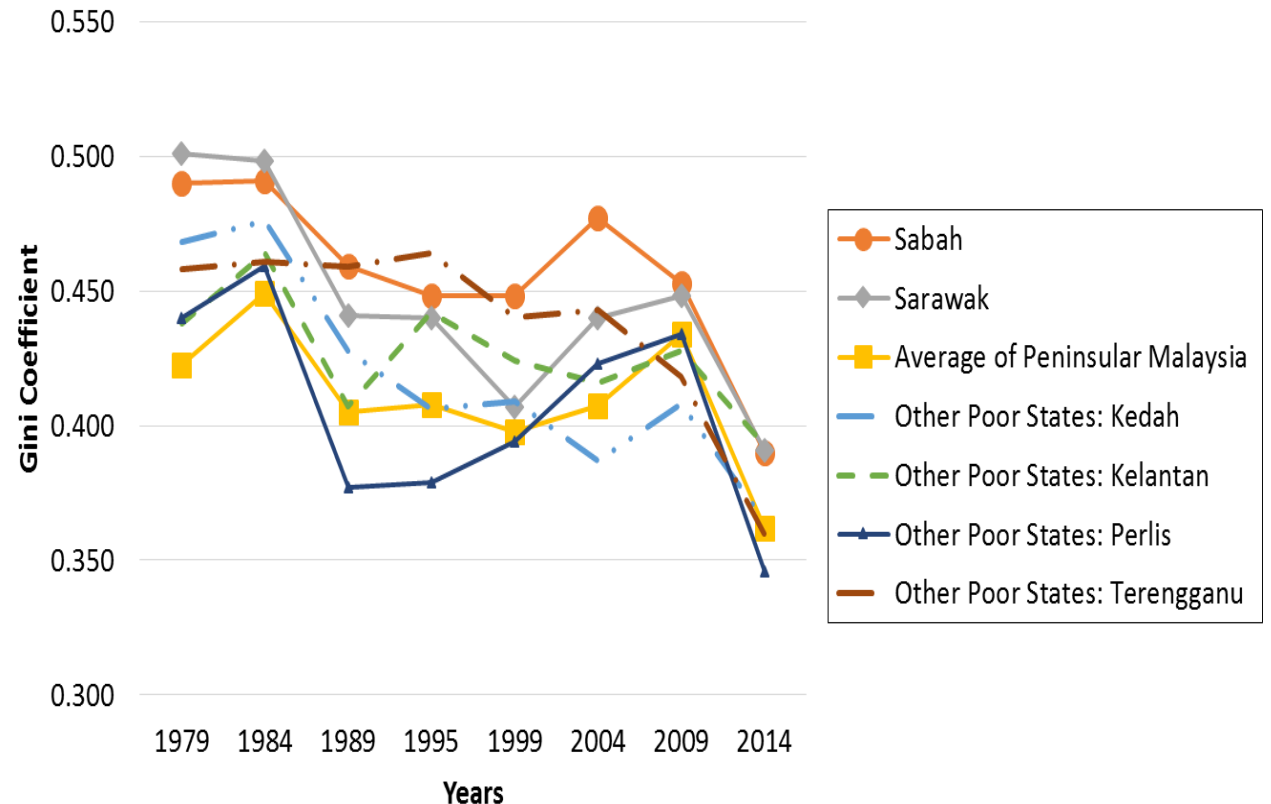
But share of wages in national income very low



CHALLENGE 4: Reducing inequalities in the allocation of talents, jobs and social opportunities

- Inequalities of opportunities vis-à-vis citizenship
- Labor market segmentation: Ethnic bureaucracy
 - Brain drain
- Politics of Top 1% income
 - GLCs - Business ownership among executives

Figure 3: Gini Coefficient by Region/States, 1974-2014



Lessons for Indonesia

1. Equalizing access to basic education not enough for reducing inequality
2. Improving the level of learning and reducing inequality in learning is not about budgetary allocations
 - improving labor productivity given low quality education
3. Increasing the share of labor in GDP by creating more high income jobs
 - Prioritize knowledge-intensive jobs (as they offer higher wages)
 - Labor market with pro-labor legislations
4. Affirmative policies can create new inequalities
 - Race quotas in higher education and government jobs; regional disparities