



INDONESIA  
DEVELOPMENT  
FORUM

INSPIRE • IMAGINE • INNOVATE



KNOWLEDGE  
SECTOR INITIATIVE



Indonesia Development Forum 2017

## **Fighting Inequality for Better Growth**

Jakarta, 9-10 August 2017

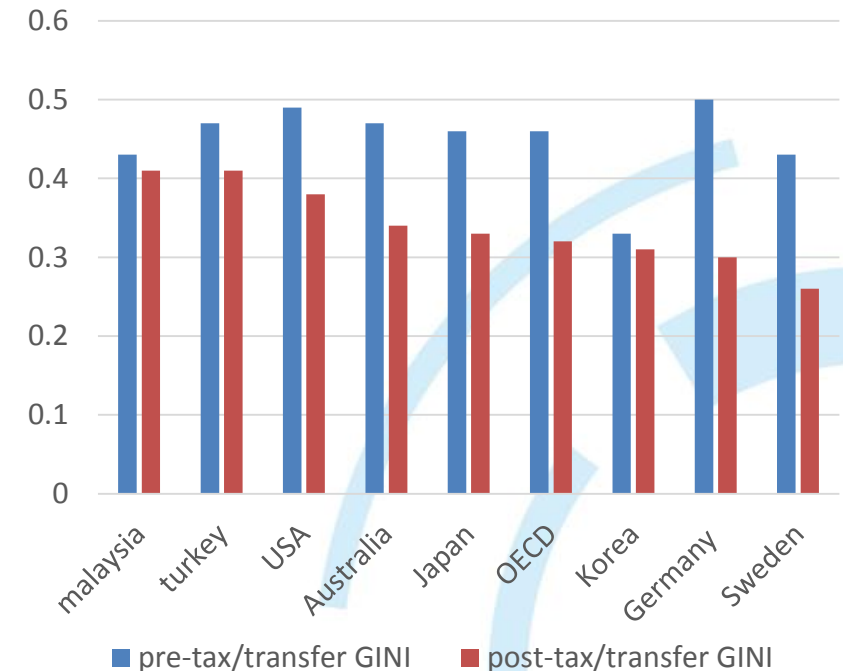
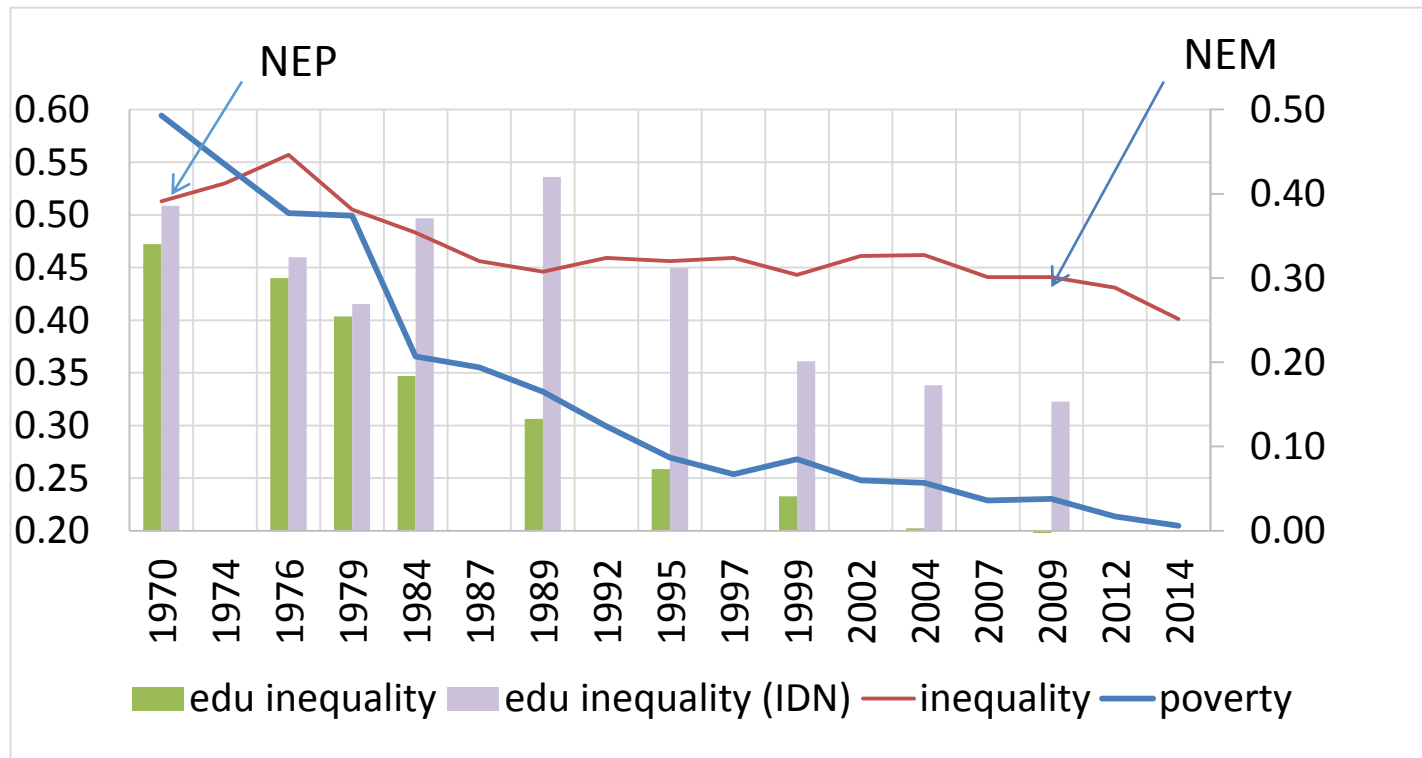
# How Can Malaysia Reduce Inequality through Education? Lessons for Indonesia

[Professor M Niaz Asadullah](#)

[University of Malaya](#) , Malaysia

& Global Labor Organization (GLO)

- 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 over time
- NEP 1970-1990; NEM 2010; GTP Blue Print; Wawasan 2020; Education Blue Print; 11<sup>th</sup> Malaysia Plan



Source: author based on secondary data

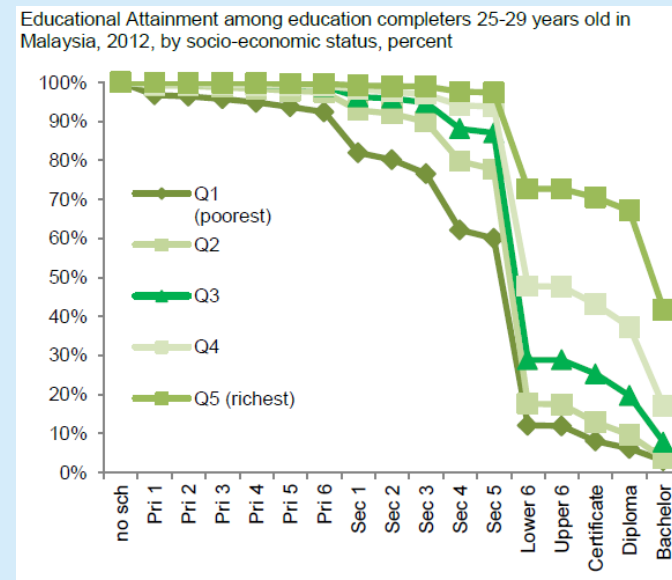
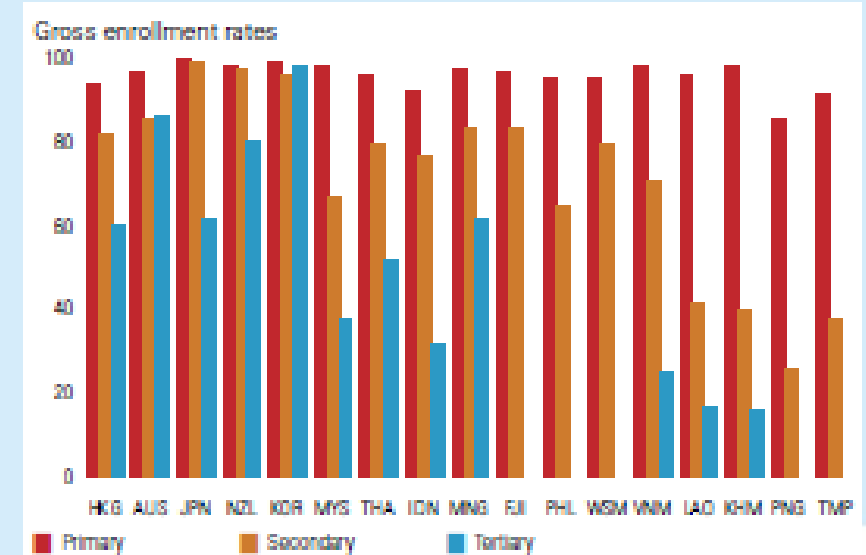
## CHALLENGE 1: Addressing inequality in post-primary education

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)

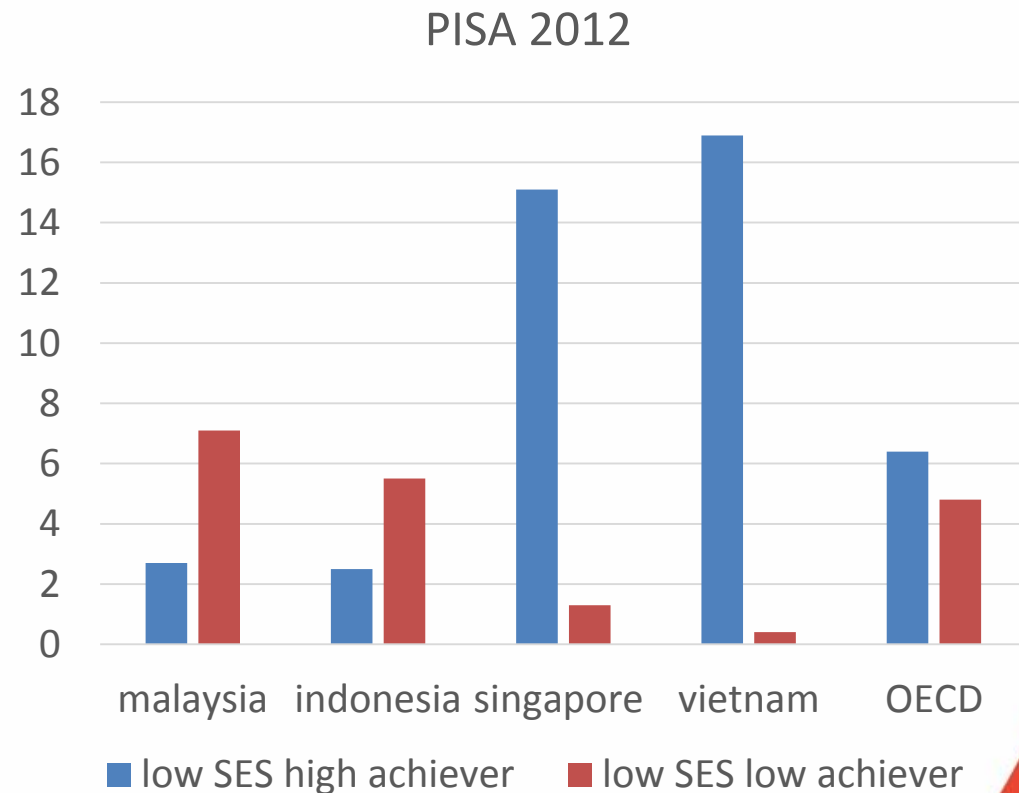
- Entry of private providers in higher education



Source: WB 2014

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

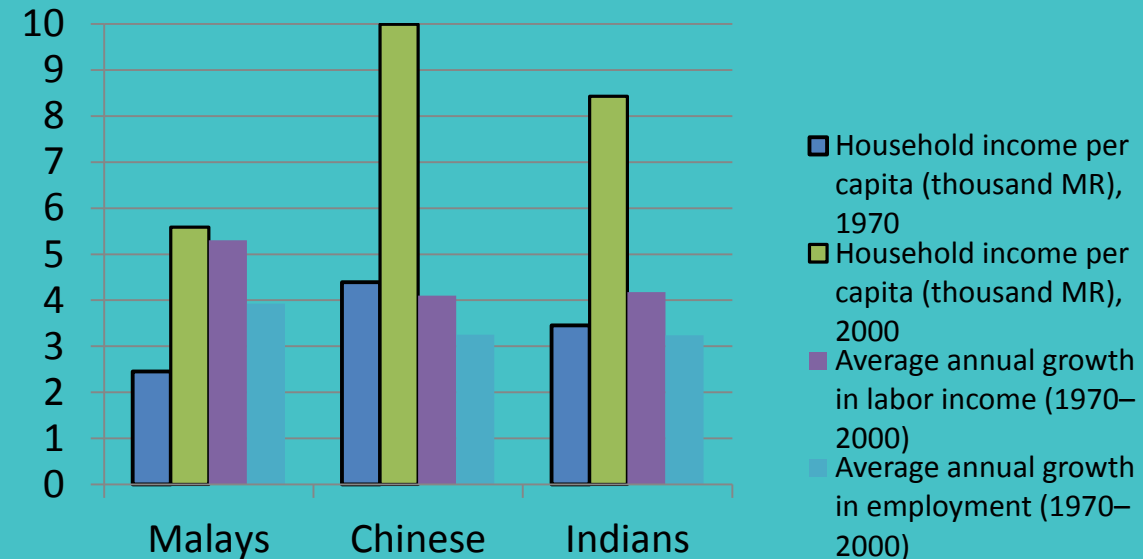
- Stuck in the bottom third of international assessment of student performance
  - share in top 10% is also low
- Flatter grade-learning profile
  - compared to education system of other HPAEs



Source: author's calculation based on OECD 2014

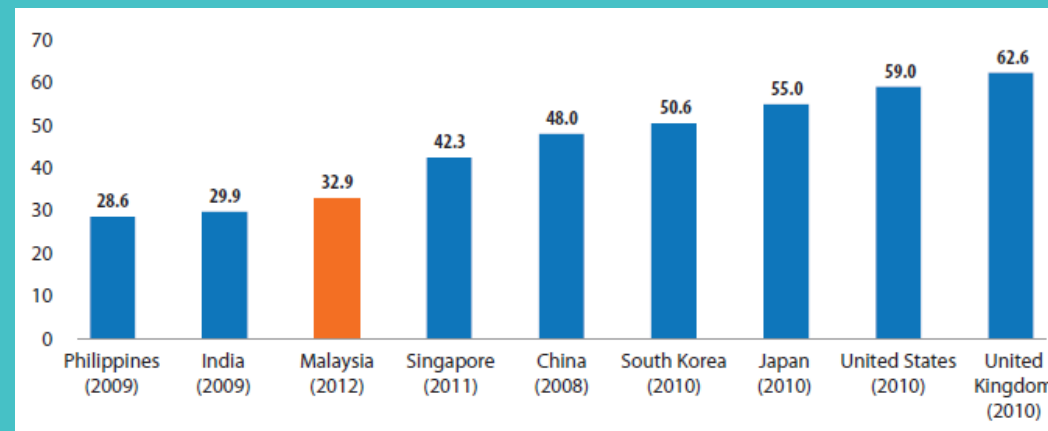
## CHALLENGE 3: Increasing labor income and employment growth

Labor income and employment growth was significant during the NEP era



Source: author's calculation based on Saari et al

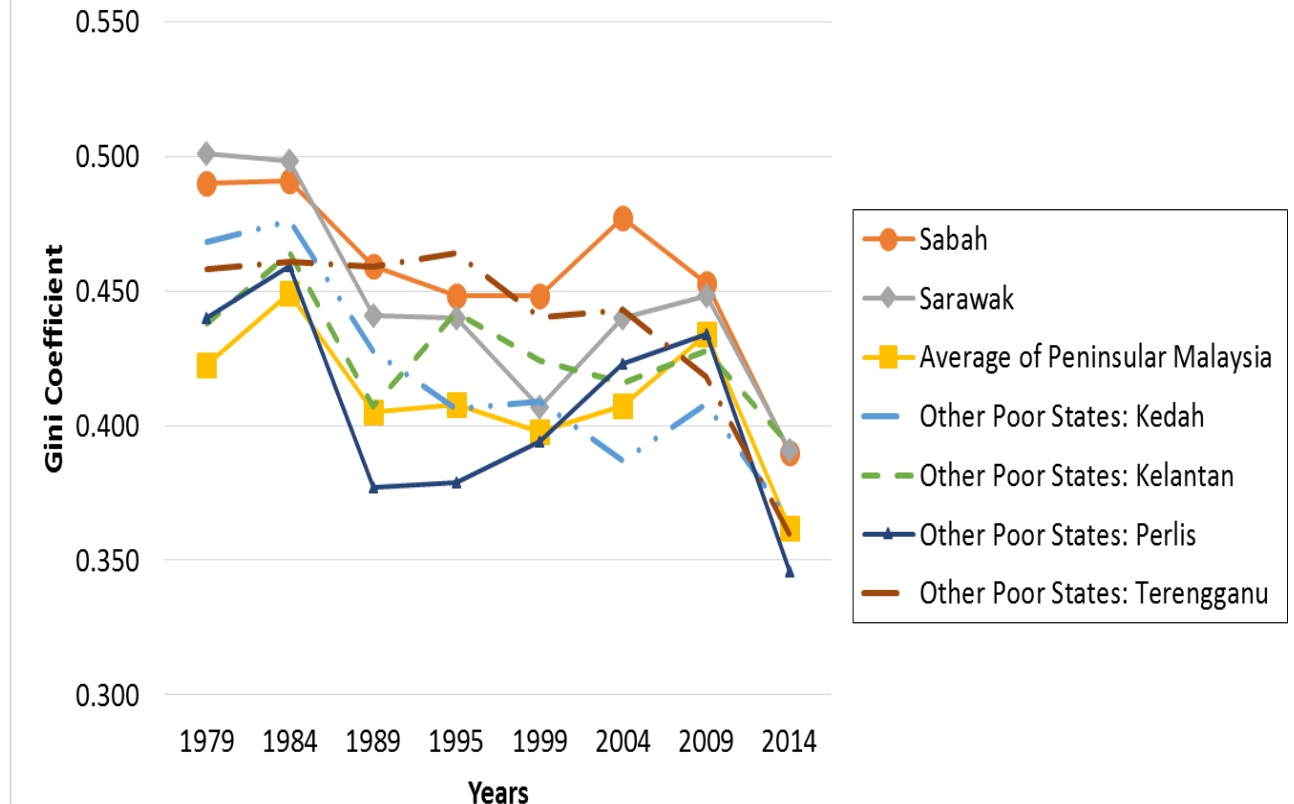
But share of wages in national income very low



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

- Inequalities of opportunities vis-à-vis citizenship (e.g. migrants, minority ethnic groups)
  - Explains higher inequality in Eastern provinces
- Labor market segmentation: Ethnic civil service
  - Brain drain
- Politics of Top 1% income
  - GLCs - business ownership among ethnic executives

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



# Four Lessons

1. Equalizing access to basic education not enough for reducing economic inequality
  - Address inequality of access to post-secondary education
2. Improvement in quality education needed to improve labor productivity
  - ...but improving the level of learning and reducing inequality in learning is not about budgetary allocations
3. Increasing the share of labor in GDP by creating more high income jobs
  - Prioritize knowledge-intensive jobs
  - Implement pro-labor legislations/reforms
4. Affirmative policies can create new inequalities
  - Access to government jobs; falling quality of public institutions; regional disparities