

Government Funding in Education Industry

Muhammad Baqir Abdullah^{*1}, Mukaramah Harun², and Mohd Razani Mohd Jali³

^{*1, 2, 3} School of Economic, Finance and Banking, Universiti Utara Malaysia

DOI Link: <http://dx.doi.org/10.6007/IJARBSS/v7-i6/3036>

Published Date: 10 June 2017

Abstract

This study is analysing about contribution among components of government funding (as subsidy) in the education industry to generate skilled labour. In this study, education institute as suppliers which offer education services at tertiary level. In another side, students as customers whose are using education services. The government funding in education will attract and encourage student from secondary level to continue study at tertiary level. It is also one of human capital investment to overcome inequality income distribution, poverty problems and economic growth by increasing the number of skilled labour in industries in the economic sectors.

Keywords: Education; Government Funding in Education; Employment

Introduction

Generally, the education opportunities give positive impact to society in many aspects, especially about employment in economic sectors. The education will improve skills and knowledge among labour to become as skilled labour at the future. Therefore, the education policy needed to assist increasing the number of skilled labour and decreasing the number of unskilled labour in economic sectors. This situation also will effect on the productivity of labour and production. The production of economic sectors becomes more efficient.

In addition, the existence of education and training institute is assist unemployed to obtain skill which relevant in any industries in economic sectors. These skills are not only used to obtain job, and it also used to create employment opportunity for other peoples (Oyelola, Igwe, Ajiboshin, & Peluola, 2014). The educations give wealth widely to community. Therefore, the education give benefit not only for individuals, it also give benefit in society by increasing number of skilled labour (skilled labour as part of society). In other words, the education creates positive externalities to society (Chandra, 2010).

Overall, increasing the number of skilled labour (also as a part of community) is also increase community's income (Chandra, 2010). At the same time, it improve people's welfare and quality of life i.e. the labours obtain better job opportunities after they finish their training and study; health and mortality of children become better caused by increasing the number of doctors; increasing the number of attainment in higher education caused by increasing the

number of teachers in community etc. Clearly, the government funding in education is an important spending to improve economics performance in a country. So this study wants to investigate how far the government spending on education will effect on education industry.

Important of Government Funding in Education

The government spending on education is important to increase the number of skilled labour to fulfil labour requirement in economic sectors. In education industry, government spending is a type of subsidy which allocated by government to reduce actual education cost which paid by students (as consumers) and education institute (as producer). Normally, the education institute are given subsidy to offer tuition fees (price) at the lower than actual fees (price) which should paid by student. In addition, subsidy given by government to students and staffs in private college if they success to attract more student to register in their institution. It is as reward to motivate college students and staffs to attract more students.

There are also a part of subsidy is salary payment, allowance, and pension of teacher and lecturer. This allocation is important to ensure the good quality of learning by recruiting qualified teacher and the experts from relevant fields (Ogawa, 2004). The allocation of subsidy is also include the spending of lecturer's training scheme to improve the quality of teaching among lecturer trough more involvement of skilled instructor (Trowler & Bamber, 2005). In other word, this scheme known as expenditure of development among academic staff. This purposely to improve quality of teaching process in higher education becomes more effective and efficient to produce more skilled labour and fulfil labour requirement in industries in economic sector.

In addition, the government spending on education is also financed in capital asset such as allocation of equipment for teaching purpose (Orunaboka & Nwachukwu, 2012). It assist lecturer to use latest equipment for teaching proses in the class and teaching environment become more practical and some of situation is using the simulation such as in the real jobs. It is better than training which only uses theory in classes. Some part of allocation is purposely to build the education infrastructure in the college and training institute. It is to improve capacity of students (as customers) and reducing operation cost for private college to ensure poor students also get education opportunity such as other peoples (Blankenau, 2005; dan Orunaboka & Nwachukwu, 2012).

Government funding on learning equipment also provided to students (as customers) such as text books; laboratories, multimedia and computers equipment; and other learning materials trough voucher scheme. It purposely to provide equipment to students to use it at lower price compared with real price at markets (Eden, 1994). However, the vouchers have limited value and based on a specific period.

There are government funding allocated in scholarship and study loan to university or college students (Healey, 2000; and Curtis, 2004). It is important to students because it is one of human capital investment that may obtain future benefit to individuals and society in terms of future income, competitiveness and productiveness. On the other hand, without the scholarship or study loans, students need to survive and pay the cost of education by own financing. At the same time, may be some of student should get benefit from education facilities provided will not continue study because cost of education at tertiary level is too expensive for poor students. As the result, industries in economic sectors will face shortage of skilled labour. Therefore, some of solution to overcome the market failure is government should provide scholarships and study loan to student who want to continue their studies.

Methodology

In this paper is use input-output analysis to describe employment generated by government spending on education. The impact on number of labours is based on industries in economic sectors. Firstly, the input-output model describe as follows:

$$X = (I - A)^{-1} F$$

Where X is a vector of output, F is a vector of final demand (as components of government funding in education), A is matrix of technical coefficient, I is identity matrix ($n \times n$), while $(I - A)^{-1}$ also known as matrix of coefficient Leontief's output. Every value in these matrix represent as total output which generate by increasing every RM1 in final demand.

In addition, according Hassan, Baharom, & Azis (2010), estimation of employment multipliers used to determine the level of employment in particular sector and destination generated by government spending on education.

For employment;

$$E = X * J$$

Where, X is column vector of sectoral output and J is the sectoral labour-output ratio.

Conclusion

Government spending on education is a type of subsidy in the education industry to generate skilled labour in industries in economic sector. The subsidies are given to students (also as customers) and education institutions (also as suppliers) to student from high school to continue at tertiary level. The subsidy is important reduce the cost of operation (also as cost of production) for education institution and reduce the education cost (the fees and others spending) for student because the education cost at tertiary level is too expensive for students whose come from poor family. Based on these types of subsidies, the further of study is suggest that the study about employment generated by components of government funding on education industry. The effect of employment is should base on economic sectors.

Acknowledgement

We would like thank to Allah s.w.t., Dr Mukaramah Harun, Dr Mohd Razani Mohd Jali and Dr Nurul Fadly Habidin for their helpful comments and assistance on an earlier version of this paper.

Corresponding Author

Muhammad Baqir Abdullah,
School of Economic, Finance and Banking,
Universiti Utara Malaysia, Malaysia,
Email: muhammad.baqir85@gmail.com.

References

- Blankenau, W. (2005). Public schooling, college and growth. *Journal of Economic Dynamics and Control*, 29(3), 487-507. Doi:10.1016/j.jedc.2004.04.001
- Chandra, A. (2010) Does government expenditure on education promote economic growth? An econometric analysis. University of Munich, Germany.

- Curtis, S. (2004). Fun at the debtor's prison: undergraduates' university experience. *Education + Training, 46*(2), 75-81. Doi:10.1108/00400910410525252
- Eden, B. (1994). How to subsidized education: an analysis of voucher system. *Israel Institute of Technology*.
- Hassan, M, K, H., Baharom, A, H., & Azis, K, A. (2010). Output and employment generated in Malaysia manufacturing sector: an input-output analysis. *International Journal of Global Business, 3*(1).
- Healey, M. (2000). Developing the scholar of teaching in higher education: A discipline-based approach. *Higher Education Research & development, 19*(2), 169-189. Doi: 10.1080/072943600445637
- Orunaboka, T, T., & Nwachukwu, E, A. (2012). Management of physical education facilities, equipment and supplies in secondary schools in Nigeria: issues and challenges. *Journal of Education and Practise, 3*(3), 43-47.
- Ogawa, K. (2004) Public expenditure on education and resource management: case of Zambia. *Journal of International Cooperation in Education, 7*(1), 133-143.
- Oyelola, O, T., Igwe, N, C., Ajiboshin, I, O., & Peluola, S, B. (2014) Entrepreneurship education: solution to youth unemployment in Nigeria. *Journal of Poverty, Investment and Development, 5*, 149-157.
- Trowler, P., & Bamber, R. (2005). Compulsory higher education teacher training: Joined-up policies, institutional architectures and enhancement cultures. *International Journal for Academic Development, 10*(2), 79-93.