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Dealing with budget reality

THE main focus of Budget 2017 in terms of higher education is certainly the 19.2% reduction in public universities' operating expenditure, from RM7.5 billion in 2016 to RM6.12 billion in 2017.

This has been the second reduction in a row: the operating expenditure in 2016 had been reduced by another 15% percent from the previous year.

While Universiti Kebangsaan Malaysia (UKM) made headlines last year as being one of the few which had its allocation increased, Budget 2017 has seen the national university experiencing the most severe reduction, of more than 31%.

However, what is more worrying is the fact that four of the five research universities are experiencing the most drastic cut in terms of their operating expenditure in 2017.

Apart from UKM, Universiti Teknologi Malaysia and Universiti Putra Malaysia experienced about 30% reduction respectively, and Universiti Sains Malaysia a 28% cut.

Not far from the top of the "cut" table also lies Universiti Malaya with a 20% reduction. Although research universities are further allocated RM300 million, we are well aware that these five universities are Malaysia's flagbearers to compete in the many global university rankings, and importantly, to participate in these global competitions is an expensive affair.

Universities need a lot of resources in terms of developing and retaining talents, research funding and facilities, infrastructure development to ensure that the quality of teaching and learning is not compromised, and research and innovation activities are adequately supported to create new knowledge.

With the drastic reduction in the operating expenditure, we are worried that the pressure to generate their own income will distract these universities from fulfilling their core mission of teaching, research and service, as well as competing for better positions in global university rankings.

Without a doubt, it is essential for public universities to develop their own capabilities to generate income.

Yet, with only drastic cuts continuously for two years, but without adequate changes to the governance, management and structure of these public universities, such measures did not provide a realistic space for public universities to reorganise themselves and develop the ability to generate their own income.

Simplistically, perhaps allowing public universities to charge the government for the full fees (minus whatever the student is charged directly by the university) or allocations based on subsidy for cost per student may have been a better lever for public universities to develop their financial capabilities but, crucially, without compromising the primary aim of education for nation building.

A drastic cut without structural changes, in our opinion, is merely squeezing more out of public universities than developing a more efficient higher education system with public monies.

The discounts of the National Higher Education Fund Corporation (PTPTN) are understandably introduced to encourage more prompt repayment of the student loans. Such a measure will be able to lead to higher collection rates, but at the expense of a lower collection amount.

Also, such a measure is introduced with the assumption that graduates will be employed as soon as they graduate, which may not be realistic in the current economic situation with increasing incidence of retrenchment in some sectors.

In the medium to long run, continuous discounts on PTPTN may not be the appropriate tool to ensure the availability of resources to finance PTPTN, and the government will need to urgently consider other alternatives of having a more sustainable student financing system in Malaysia.

We also take note of the initiatives to enhance employability of graduates, with RM50 million allocated for this purpose and a double tax deduction for industry training.

We applaud the government's concern about employability, which has important implications for socio-economic wellbeing. The double tax deduction will also be a boost to the initiative of the Ministry of Higher Education to introduce the 2u2i programme, where students will spend two years in the university and two years in the industry.

However, we would caution that this allocation and incentive is not sufficient to enhance employability, without putting in place processes to improve the system.

For instance, if the economy is not expanding at a rate that provides sufficient job opportunities, an allocation to boost the employability of graduates will not translate into jobs.

Likewise, appropriate monitoring processes must be put in place to ensure students doing the two-year industrial training, instead of several months, are indeed learning useful knowledge, skills and capabilities that will enhance their employability and not simply spending time away from the university.

In sum, Budget 2017 may signal a challenging year ahead for the higher education sector of Malaysia, especially public universities, with another drastic reduction in their operating expenditure.

However, this can also be an opportunity for the government to introduce systemic and structural changes to help these institutions transform into more efficient higher education institutions with less reliance on public monies, for instance by reducing unnecessary bureaucracies and procedures with the external and internal governance of universities.

At the same time, public universities should also take this opportunity to strategise their own niches and to collaborate nationally instead of competing with one another, for more efficient utilisation of a scarce pool of resources.

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