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Education and Economic Growth in Malaysia: The Issues of Education Data

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Abstract

Human capital or education has become one of the central issues in the study of economic development. The existing literature suggests that human capital, especially education, is an important component of economic growth. This paper explores the issues of Malaysia education data. Despite some issues and data quality problems, Malaysian education datasets are highly correlated for both secondary and tertiary education data. This paper also tests the effect of different datasets on education and growth relationship. The results are very similar suggesting that Malaysian education datasets are reliable. The results are robust regardless of education measure. All datasets lead to similar conclusion; education is negatively related to economic growth.

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1. Introduction

Human capital or education has become one of the central issues in the study of economic development. The existing literature suggests that human capital, especially education, is an important component of economic growth. However, this hypothesis is often supported by little empirical evidence. One of key issues in researching the relationship between education and economic growth is differences in the definition and measurement of human capital, particularly in the measurement of educational variables. Some studies use school enrolment rates or enrolment ratios, the literacy rate or the average years of schooling as a proxy of

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human capital. Other studies use human skills, physical abilities and life expectancy as a measure of human capital (see Cipolla, 1969; Houston, 1983 and Leeuwen, 2007).

In most studies, human capital is proxied by years of schooling and the school enrolment rate. Barro and Lee, 1993; 2010, used the years of schooling as a measure of human capital. The use of enrolment rates as a proxy for human capital has statistical validity or it can be quantified but it fails to capture education quality. Another criticism regarding this measurement arises because students are outside the labour force (Permani, 2009:6). Therefore, their contribution to economic growth is difficult to justify, and if any, it can be considered to be very small. In fact, Pritchett, 2001 found that both primary and secondary school enrolments are negatively related to human capital growth rate. The objectives of this paper are twofold:

- To study the issues of Malaysian education data and identify some problems that may affect data quality.
- To examines the reliability of Malaysian education datasets and the implication on education and growth relationship.

2. The sources and quality of Malaysian education data

Malaysian education data is available in various government official reports and previous studies. It can be obtained from at least six sources.

- Malaysia Educational Statistics by Ministry of Education
- *Perangkaan Pengajian Tinggi* (Higher Education Statistics) by Ministry of Higher Education
- Economic Reports by Treasury
- Population and Housing Census of Malaysia from Statistics Department
- Malaysia Development Plans published by Economic Planning Unit
- World Development Indicators (WDI), World Bank, and
- Barro and Lee (2010)

Some of the data on higher education in the 1980s are also available in Tan, 2002. However, the data varies between sources, and in some cases, especially the data for higher education, the differences in the data reported are quite high. The best way to check data reliability and accuracy is to recalculate the data provided by different agencies with the school age population. Nevertheless, it is not an easy task to test the accuracy of the data with incomplete information. The school age population for each category is not available every year. Although the data on population is available annually in the Yearbook of Statistics, the population data reported in Malaysia Census is divided into three age groups only. These are 0-15 year, 16-65 and above 65 years old groupings, which do not suit the schooling age population[†].

Table 1 below shows Malaysian education data from various official government reports. The table clearly shows that each agency reported different figures. In 2005 for example, Malaysia Educational Statistics reported 3.045 million students, or a 94.31 per cent enrolment in primary school, which was similar to the enrolment rate given by the Economic Report 2006. Meanwhile in the Eighth Malaysia Plan the number of students enrolled was reported to be 3.035 million, 10 thousand lower than reported in Malaysia Educational Statistics. Table 1 also compares the enrolment rate for three government official reports. The data on the primary and secondary school enrolment seems to be reliable. With the exception of the secondary school enrolment rate in 2005, the differences in the enrolment data of three reports were around one to two per cent,

[†] The schooling-attending age population differs among countries depending on the education system. In Malaysia, the school-attending age population is 6 to 11 years for primary school, 12 to 14 for secondary school, 15 to 16 for upper secondary school, 17 to 18 for post secondary school and 19 to 24 for university level (Malaysia Educational Statistics, various years).

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