

Employment Generated by Government Spending on Education

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Abstract

This paper studies the effect of employment generated by government spending on education. This spending is important role to increase the number of skilled labour, job creation and fulfil labour requirement in economic sectors. At the same time, education also considered as human capital investment to increase the productivity of labour and reduce economic problems such as unemployment and poverty. In other words, education is considered as source of wealth in society. Based on finding in this paper, suggest that the study about impact of government spending on education and employment is needed. It is purposely, to know how far the education can give effect on employment in economic sector in Malaysia

Keywords: Education; Government Spending on Education; Employment

Introduction

Education widely accepted that it can enhance and improve living standards. In other words, government spending on education is an investment to increase the number of skilled workers in economic sectors and increase the wealth of society through the growing number of people who has higher income. Through education, people not only enjoy with higher salary, but also have higher productivity of labour (they gain more motivation) as mentioned in Growth Theory.

Government spending in education also as a way out to solve the economic problems such as unemployment, poverty and economic recession (Ernest, 2011; and Chandra, 2010; and Nurudeen & Usman, 2010). It is because the government spending on education could increase the number of skilled worker in economic sector. It is capable to create job opportunities and meet the requirements of skilled and semi-skilled workers in economic sectors.

In addition, government spending on education is considered as a human capital investment (Louaj & Mekdad, 2014; Mussagy & Babatunde, 2015; and Dissou, Didic, & Yakautsava, 2016). The increasing number of skilled labours (also as a part of society), will also affect the increase of income in society in the whole and increase in aggregate spending on final demand. At the same time, the growing number of skilled labour in economic sector will affects the increase in labour productivity and it also give positive impact on overall economic growth. Therefore, government spending on education become as one of the main expenses in some countries to increase the number of workers.

Importance of Government Spending on Education

In Malaysia, government spending on education is a main expenditure in short- and long term budget. This expenditure is an investment of human capital to develop economic sectors by increasing involvement of skill and semi-skilled labour. Government spending in tertiary level will contribute input and output of education such increasing rate of enrolments, increasing rate of labour participant and reduce unemployment rate (Obadic & Aristovnik, 2011; Blankenau & Camera, 2009 and Obadic, Alka & Aristovnik, 2011).

Government spending on education also has the potential to reduce the number of labour among children through the government spending at primary level and it will generate more skilled labour in economic sectors in the future time through the government spending at tertiary level (Viaene & Zilcha, 2013). Government spending on education is very important to people especially who have the lower income because education at tertiary level is too costly and real fees is higher than ability to paid by students. If government spending on education implemented, it also will increase the people's income in the future.

In other words, government spending on education is a human capital investment that contributes to peoples in terms of income and productivity of labour in economic sectors. Aware with the important of education, the people (also as labours) are prefer to choose a political party which supports the budget of education (Haupt, 2012; and Soares, 2003). They also hope this party can help to increase their future income though government spending at tertiary level. It is purposely to increase the number of skills labour by providing education or training institution.

Allocations of government spending on education not only improve the skills labour for the currently, but it also can generate more skilled labour in the future to meet labour requirement (demand) which always changing uncertainty in economic sectors (Watson, 2005). Otherwise, economic sector will faced the shortage of skilled labour and become less competitive at the global, if government less allocated in government's budget in education.

In addition, the spending on education actually encourages more students to continue study at the tertiary level. The government spending on education will reduce the actual cost of education per student and give chance to others especially to poor peoples (Agenor, 2011). According the theory of schooling model, every decision is made whether students continue studies or work. It is based on the cost and benefits. For the rational students, they will choose to continue their study at the tertiary level because the cost to continue study is lower than real fees and they will obtain better income after graduation.

In other words, government spending on education is one of type of subsidies to increase labour income; and also the number of skilled and semi-skilled labour (Blankenau, & Camera, 2009; and Johnson, 1984). This subsidy is come from tax structure which based on income and used as fund to subsidize the cost of education at all level of education, especially tertiary level. It is because the real cost of the tertiary education is too expensive and not at all peoples are capable to pay it. By using tax structure, education was subsidized to all peoples, especially peoples have lower income. They will get education opportunity at the lower fees (cost of education) and fees will charge based on family's income.

At the same time, the government spending on education will encourage more participation of skilled labour in economic sectors. This situation will effect on transfer among skilled labours in the economic sectors, especially transfer from the agriculture and the fisheries sector into the industries of manufacturing and the service sectors. The jobs in economic sectors become more systematic, specific and competitive. However, according Nash equilibrium theory, the people (also as tax payer) in the developing country will not obtain fully benefit as result from the increasing number of skilled-labour in economic sectors (Justman & Thisse, 2000). In addition, some of the skilled labour from developing country will get better jobs in the developed country. In this situation, the country is not only loss the allocation of spending on education, but the country also loss skilled labour in economic sectors.

Methodology

This paper 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 government spending on 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 part of human capital investment. Generally, this spending will give externality positive in economic, especially gives positive impact increasing the number of skill and semi-skill labour in economic sectors. However, the government spending on education is very costly, not at all peoples is capable to pay education fees especially in the tertiary level. The government spending on education in the tertiary level will encourage students to continue their study. They will obtain higher income and better jobs at the future. Therefore, the study suggests that we need to examine how far employment can be generated by government spending on education. The employment analysis is based on various industries in economic sectors.

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