



## Choice, competition and the role of private providers in the Malaysian school system

### Perspective

Supplemented by expert interviews

Tunku 'Abidin Muhriz

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### Vision of IDEAS

IDEAS is inspired by the vision of Tunku Abdul Rahman Putra al-Haj, the first Prime Minister of Malaysia, who stated in the 1957 Proclamation of Independence that our nation should:

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### IDEAS and education

The promotion of free market principles in education is a key objective of IDEAS. As the embryonic Malaysia Think Tank, in 2007 we re-published, whilst providing a Malaysian context, James Tooley's pamphlet *Could the Globalisation of Education Benefit the Poor?* This research paper reaffirms our commitment to promoting market-based solutions in education.

However, IDEAS is also putting words into practice. In 2011 we are establishing a private kindergarten in Kuala Lumpur in partnership with Yayasan Chow Kit, a charity providing shelter and basic amenities to stateless and refugee children who currently have little or no access to government schools. We are also exploring the possibility of establishing a primary school through a charitable arm of IDEAS.



## About the authors

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Upon returning to Kuala Lumpur in 2008, Tunku 'Abidin worked at the United Nations Development Programme and a regional stakeholder management firm. Throughout, he helped to develop the Institute for Democracy and Economic Affairs (IDEAS, formerly known as the Malaysia Think Tank) which he co-founded in 2006. He has maintained his regular column 'Abiding Times' in the Malaysian newspaper *The Sun* since March 2008, and was a Research Fellow at the Lee Kuan Yew School of Public Policy at the National University of Singapore from March 2009 to August 2010.

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Wan Saiful lived in the United Kingdom between August 1993 and October 2009. There he worked for several organisations, including the Commonwealth Policy Studies Unit think-tank, the British Conservative Party's Research Department, and Social Enterprise London. He was vice-chair of Luton Conservative Association (2007–2009) and Head of Policy for the Conservative Muslim Forum (2007–2009). In May 2007 he contested the English local elections as a Conservative Party candidate.

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## **Project Advisory Group on education**

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Dato' Freida Pilus	Chairman, Cempaka International School
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Datin Noor Azimah Abdul Rahim	Chairperson, Parent Action Group for Education
Tunku Muna Putra	Committee Member, Parent Action Group for Education
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## Executive summary

*This project aimed to examine whether or not choice and competition exist in the current system, to describe models that utilise market competition, and to explore how choice and competition can be strengthened.*

In our introduction, we state that education in Malaysia has remained at the top of the Malaysian political and civil society agenda after two centuries of educational experiments, reforms and policy changes. This project began as a literature review but was augmented by discussions with members of an educational advisory group.

This project aimed to examine whether or not choice and competition exist in the current system, to describe models that utilise market competition, and to explore how choice and competition can be strengthened. The five key research questions asked if choice and competition exist; whether there are any barriers to greater choice and competition; what models currently exist; what can be learned from the various models; and how Malaysia can bring more choice and competition into the school system.

We then describe the literature used and explain our use of the advisory group.

Definitions of the terms 'choice', 'competition', 'private providers' and 'the Malaysian school system' are then given.

A brief overview of the Malaysian education system is provided, detailing the origins of national schools, English national schools, religious schools in the guise of *sekolah pondok* and *madrasah*, vernacular and national type schools. The impact of subsequent legislation is considered as well, up until the most recent policy announcements. All of this is placed into a timeline for easy reference.

We then discuss what we learned from the literature review and members of the advisory group, addressing each of the key research questions in turn.

We conclude that Malaysian literature advocating choice and competition is limited because central planning has been allowed to become the natural state of affairs when it comes to education in the country; but that this situation is changing. In practice, there has been choice and competition through the existence of many different types of educational establishments, but a desire to protect that sphere (and a realisation of greater choice in the past) is leading to more civil society awareness.

We recommend that the merits of choice and competition be injected into mainstream thinking on Malaysian policymaking in education through lobbying, while noting the challenges of ethnic, religious and class differences in Malaysian society. We call upon political parties to decentralise power to schools themselves and we recommend that civil society actors be strengthened.



## 1. Introduction

*We wanted to ask if these problems could be overcome by decentralising power away from government, and instead placing this power in the hands of parents, teachers, students and private providers...*

This report concerns the extent to which there is choice and competition in the Malaysian school system, and what the role of private providers is within it. Work for this report formally began in July 2010. However, in practice other work in education conducted by IDEAS has contributed greatly to the project.

In 2010 education remained at the top of not only the political agenda but also that of civil society. After numerous announcements concerning changes to the education system, or indeed in the aftermath of events in school and university campuses themselves, many debates came to the forefront and found their way into the mainstream and alternative media: the pros and cons of teaching maths and science in English or Malay; allegations of racism of individual teachers; the accuracy of history textbooks; or the freedom of expression within university student societies, for instance. These were added to ongoing debates about the position of vernacular schools and the efficacy of the examinations systems. However, one common strand running through these debates is the relevance of choice and competition. We wanted to ask if these problems could be overcome by decentralising power away from government, and instead placing this power in the hands of parents, teachers, students and private providers – since it seemed to us that private providers have operated in our history and continue to do so today. This research project represents the first stage of our answer to that question.

This project began primarily as a literature review but the arguments have been significantly augmented by discussions with members of our Project Advisory Group, educationists, civil servants and policymakers. Indeed, their contributions were extremely valuable in light of the weaknesses in the literature. To this we added the experience of IDEAS' other work in education.<sup>1</sup>

The aims of the project were to:

- (a) Examine whether or not choice and competition exist in the current Malaysian school system
- (b) Describe models of school systems that utilise market competition as the driving force for continuous development
- (c) Explore how choice and competition can be strengthened/introduced to catalyse the improvement of Malaysian schools.

To achieve these aims, the following key research questions were asked:

- (a) Does choice and competition exist in the current Malaysian school system?
- (b) Are there any barriers to greater choice and competition in Malaysian schools?
- (c) What models currently exist that utilise market competition as the driving force for continuous development?
- (d) What can be learned from the various models and how beneficial are they?
- (e) If choice and competition have benefited other countries, how can Malaysia bring more choice and competition into the school system?

<sup>1</sup> IDEAS has been working to establish a private kindergarten for stateless and refugee children in inner Kuala Lumpur in partnership with Yayasan Chow Kit, a foundation that provides shelter and basic amenities to such children. IDEAS is also exploring the possibility of setting up a social enterprise primary school.



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Literature was sourced by several means. Firstly, relevant articles in international peer-reviewed journals such as the *Economics of Education Review* or the *Comparative Education Review* were obtained. Secondly, monographs especially those concerning education in Malaysia were added; these were found in the National Library of Malaysia. Thirdly, 'grey' literature, such as texts of ministerial speeches and educationists' commentary, was used. Fourthly, relevant pieces of legislation and policy documents – published and unpublished – were added. Finally, newspaper articles and comments on blogs completed the literature.

The above process did not produce an adequate quantity of literature of sufficient quality. We found ourselves having to consult members of the education advisory group on a regular basis to reconcile contradictions in the texts, as well as to obtain information on the latest developments in Malaysian education, due to lack of media coverage or public policy debate.<sup>2</sup> We believe that these contributions have largely compensated for the gaps in the literature, since the members of the advisory group have typically been involved in the Malaysian education system for many decades.

Gleaning information from members of this advisory group occurred via two methods. The first component was to bring all the members of the group together for two closed-door, three-hour round-table meetings in Kuala Lumpur. The lead researcher delivered half-hour presentations summarising some of the findings of the literature review up to that stage; this was followed by an open discussion.

The second component of the interactions was individual interviews with members outside the meetings. We found these informal conversations to be more frank, with strong opinions being voiced with the understanding that confidentiality be observed.<sup>3</sup>

Relevant conferences that occurred during the period of research were also attended.

Apart from this, the individual experiences of the authors and their colleagues at the Institute for Democracy and Economic Affairs (IDEAS) in education provided valuable material. Amongst the founders, vastly different educational routes were taken at primary and secondary level: the President attending an entirely private and international school, the Chief Executive having enrolled at a secular residential (i.e. boarding) government school, and the Director receiving a government-subsidised Islamic education. This diversity enabled us to approach the topic from very different angles.

Finally, IDEAS' own efforts to establish a primary kindergarten and a chain of social enterprise schools exposed the authors to many of the actual processes and bureaucratic hurdles involved in setting up a school. Although the kindergarten is to open only after this study is completed, and the schools much later, we have been able to intimately experience some of the difficulties in actually providing choice to consumers of education in Malaysia.

<sup>2</sup> One example is provided by the launch of the Trust School Programme in Putrajaya on 10 December 2010. Although this was the culmination of a half-year process in which IDEAS was involved as an adviser to one of the bidding providers, media reporting was scant. IDEAS' President drew attention to this curiosity in a newspaper column ('Trust Schools', *Abiding Times*, *The Sun*, 17 December 2010). Several members of the education advisory group shared the view that this omission is rooted in political factors i.e. internal disagreement or scepticism about the project as a whole.

<sup>3</sup> Some documents that we saw may have been classified as 'secret' or 'under restricted circulation'. Under Malaysia's Official Secrets Act, those found to have distributed such documents may be liable to prosecution.



## 2. Definitions

*By 'choice', we mean primarily the ability of parents to choose how the education of their child is structured, managed and ultimately executed.*

Given that this paper is about choice, competition and private providers in the Malaysian school system, it is crucial to set out what we mean by those terms.

By 'choice', we mean primarily the ability of parents to choose how the education of their child is structured, managed and ultimately executed. Not all choices need encompass every aspect of this education: indeed, many choices may need to be made to fulfil parents' own demands of what constitutes an adequate education for their child.

Additionally, by 'choice' we also refer to the ability of schools to select teaching staff, widen their admission policies, administer their own finances and control other aspects such as discipline, school uniform, meals and the like. Finally, we also refer to the ability of teachers to choose the schools in which they would like to teach. It should be stressed that such choices are inevitably based on individuals' own criteria (for example job satisfaction, perceived prospects of career progression).

By 'competition' we mean the condition in which the choices stated above create incentives for the schools, parents, pupils and teachers to behave in such a manner as to be selected by the other parties. The basis of such choices would be according to each stakeholder's individual criteria, which could encompass geography, ideology, teaching methods, language of instruction, or any other such aspect that might be different across providers.

By 'private providers' we mean schools or other organisations that provide educational services run in a private manner. This includes not only what is conventionally known as the 'private sector', but also community groups, trade unions and social enterprises. It is to be emphasised that this does not exclude the possibility of public monies being used to fund these providers: merely that the providers themselves are private entities.

By 'the Malaysian school system' we mean the collective institutions in Malaysia that are tasked – either by government or themselves – to educate children in Malaysia. For the purposes of this report, we are focusing particularly on primary and secondary education, which come within the ambit of the Ministry of Education, as opposed to the Ministry of Higher Education.



### 3. A brief overview of the Malaysian education system and the role of school choice

*This huge variety in the educational experiences of Malaysians is a function not only of history, but also of political exigencies.*

If a foreigner were to ask a randomly selected sample of people in a Kuala Lumpur *kopitiam*, or traditional coffee shop, what their educational experiences were like, there would be a myriad of responses. Some would have been educated entirely in Malay, some mostly in a Chinese dialect or in Tamil, and still others in English. Many would have received additional tuition in subjects deemed by their parents to have been particularly important – like maths or religious matters – and others sent to additional classes for disciplines in which their schools might have been weak – such as music, dance or martial arts.

This huge variety in the educational experiences of Malaysians is a function not only of history, but also of political exigencies. Most schools in Malaysia today are replicas of previously existing schools each with a different origin. The popularity of particular schools in the past – whether missionary, Chinese or Islamic, and almost always privately funded to begin with – resulted in parents' groups demanding their protection and indeed expansion ever since education came within the ambit of the government. As a result, particular political interest groups and parties came to support certain models, leading to not only the subsidy and appropriation of such schools, but also their perpetuation and expansion since. Despite this, many new private institutions have surfaced in recent years. What follows is a brief narrative of the role of school choice in this dynamic.

Education has been a central issue within all strata and sectors of Malaysian society since independence, having been viewed as a means by which the nation could achieve greater economic development. Indeed, the traditional support base of the largest political party upon independence, the United Malays National Organisation (UMNO), was largely composed of teachers. The past two decades have seen an overwhelming *ostentatious* increase in the presence of private providers in urban areas. However, our investigations unveiled the widespread existence of private provision in the form of less visible methods, which makes the role of 'private providers' far more deeply rooted and pervasive than often thought. In this section we shall briefly recount this history.

Like many institutions in present day Malaysia, the school system has its roots in a history that pre-dates the formation of the country itself. In the sultanates of the peninsula it was usual for members of royalty and the aristocracy to be educated within the palace or courts, in line with the functions they were expected to take in later life. Wealthy merchants who had immigrated and settled in the Straits Settlements adopted similar practices for their own families. However, ever since the proselytising of Islam, schools were established to educate on religious matters. These later evolved into school systems that have survived until today, which are designed to serve Muslim children. Indeed, the self-perceived distinctness of communities in pre-independence Malaya resulted in school choice being predominated by issues surrounding ethnicity, language and religion.

The earliest of what became known as **national schools** were built and operated by the British colonial government. The first government-run English language school was the Penang Free School established in 1816, while the first Malay language equivalent was also built in Penang, in 1855. Alongside this, missionary schools were established by Christian brotherhoods and nunneries, such as St John's Institution and Convent Bukit Nanas; administration of these schools



*... competition motivated the establishment of many of the schools, thus increasing the choices available to Malay parents.*

was eventually appropriated by the federal government and today they are fully assimilated into the national education system. It is important to note that many of these became for a time **English national schools** until their medium of instruction was progressively changed to Malay throughout the Mahathir administration. Some of these and other older schools are categorised as Premier Schools.<sup>4</sup> Other old schools are informally labelled 'elite' (or 'elitist') due to their history and famous alumni.<sup>5</sup>

Partly as a result of increasing Muslim self-awareness brought about by increasing contact with the holy land, and partly as a result of the desire by traditional Muslims to compete with the secular or Christian schools described above, Muslim religious schools grew in number throughout the early twentieth century (Ministry of Education, 2008). While the **sekolah pondok** grew informally from children of neighbouring families seeking a religious instruction, **madrasah** were more systematic and deliberately established as educational institutions. The first madrasah in what later became Malaysia was Madrasah Al-Iqbal, established in Singapore in 1907. Most of these religious schools were privately run by mosque committees or foundations. Today, however, these schools or other schools describing themselves as emphasising an Islamic education cover the full spectrum of being fully private, government-aided or fully publicly-funded. However, it is important here to emphasise that competition motivated the establishment of many of the schools, thus increasing the choices available to Malay parents.

Alongside this, what are now known as **vernacular schools** were established to cater for the education of children of immigrants from China and India. Several Chinese dialects and Tamil were the teaching language in these schools, which would be typically built by philanthropists or estate and mining companies. Today, these schools have become **national type schools** or – especially in the case of the Chinese schools – privately run, and they continue to be the preference of many Malaysians not only amongst those of Chinese or Indian ancestry, but of Malay ancestry as well.<sup>6</sup>

The appropriation of the various types of school by the government has been the result of government policy since independence. As the Federation of Malaya was inching towards self-governance, there was a political aspiration to foster national unity amongst a society self-defined according to ethnic and religious affiliation. Education was (and is) to be exploited as a tool to achieve this political aim. A common theory today is that the education system was deliberately fragmented under British administration (Rahimah, 1998) – as part of a 'divide and rule' strategy. However, this is disputed by Tan Sri Khoo Kay Kim (2010), a renowned historian and member of IDEAS' Advisory Board, who asserts that in fact 'the British went all out to plan to create a closer society before making Malaya a nation state. For example in 1949 they formed the Communities' Liaison Committee and all our top leaders were there. They also tried to revise the education system to allow greater mixing, greater socialisation among the children. The people resisted and the British failed and today the poor British chaps are blamed for practising 'divide and rule' which they never did.'

<sup>4</sup> In December 2008 the Malaysian postal service, Pos Malaysia, issued four commemorative stamps to honour Convent Bukit Nanas, Victoria Institution, St Thomas' Secondary School and All Saints Secondary School.

<sup>5</sup> There is a further cachet to be found amongst boarding schools. The Malay College Kuala Kangsar, established for Malay royalty and members of the aristocracy and affectionately known as the 'Eton of the East', is perhaps the most famous, with other schools such as the Malay Girls College (now Tunku Kurshiah College) being modelled on it.

<sup>6</sup> There are already a number of Chinese national type schools in which non-Chinese enrolment surpasses Chinese enrolment.



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In any case, in 1950 the Barnes Committee – composed only of Malay and European members – issued a report to be used as a framework for the national education system of independent Malaya. In it, the authors set out their beliefs:

*We believe that primary schooling should be purposely used to build up a common Malay nationality, and we urge that it should be re-organised on a new inter-racial basis... In principle we recommend the end of separate vernacular schools and their replacement by a single type of primary school common to all.<sup>7</sup>*

While the intentions of the authors were clearly to minimise the dangers of ethnic cleavages, such a policy would have reduced the choices available to parents at the time, by replacing the myriad of school types with just one. Quite possibly, such an attempt might have actually increased resentment and worsened ethnic cleavages – exactly the opposite of the environment they intended to create.

Indeed, many in the Chinese community severely criticised the report via the Chinese press, although in defence of the need to retain a communal cultural identity, rather than in defending the freedom to choose. The criticism gained the attention of the colonial administration and prompted the government to produce another report, this time from the Chinese perspective.

The Fenn-Wu Report (1951) was accordingly published as a response to the Barnes Report. The new report firmly defended Chinese education. In repudiation of the exploitation of education to mould a national identity or unity, the Fenn-Wu Report argued that:

*There can be no justification for turning Malaya into a cockpit of aggressive cultures. The people of Malaya will have to learn to understand and appreciate their cultural differences. They should be proud of their mutual tolerance... To most Chinese in Malaya, Malayanisation is anathema, in view of the absence of a culture, or even a society which can as yet be called Malayan.<sup>8</sup>*

In some way, the reaction presented by the Fenn-Wu Report managed to preserve the existing school choice in Malaya. The recommendations of the Barnes Report were only temporarily implemented as the Education Ordinance 1952 before being replaced by the Education Act 1961.

The Education Act 1961 was preceded by two more reports, namely the Razak Report (1956) and Rahman Talib Report (1960). The Razak Report was essentially a compromise between the Barnes Report and the Fenn-Wu Report; while it retained the national unity agenda it still allowed vernacular schools to operate. The Razak Report mainly constituted the bulk of the Education Act 1961, while the Rahman Talib Report was a review of the implementation of the Razak Report, and provided recommendations for improvements which were also incorporated into the Education Act 1961.

After the formation of Malaysia in 1963, education in Malaysia was subject to several more pieces of legislation, following the same themes set out in the 1961 Act. However, the latest act in force, the Education Act 1996, for the first time contains a clause protecting, if not encouraging, greater school choice:

*Nothing in this Act can be interpreted as prohibiting the institution of new private schools.*

<sup>7</sup> The excerpts are obtained from Purcell, V. (1953) 'The Crisis in Malayan Education' *Pacific Affairs*, Vol 26, No. 1, pp. 70–76

<sup>8</sup> Ibid



*Education in Malaysia is an on-going effort towards further developing the potential of individuals in a holistic and integrated manner...*

The National Education Philosophy promulgated in 1988 stated:

*Education in Malaysia is an on-going effort towards further developing the potential of individuals in a holistic and integrated manner, so as to produce individuals who are intellectually, spiritually, emotionally and physically balanced and harmonic, based on a firm belief in and devotion to God. Such an effort is designed to produce Malaysian citizens who are knowledgeable and competent, who possess high moral standards and who are responsible and capable of achieving a high level of personal well-being as well as being able to contribute to the harmony and betterment of the family, the society and the nation at large.*

Nothing in that philosophy places restrictions on the private providers, either.

In present day Malaysia, parents are free to choose schools of their choice from amongst the available options, such as national, national type, religious, private, international, etc. In the case of government boarding schools, a unit of the Ministry of Education determines selection.<sup>9</sup> However, for the non-boarding government schools geographical catchment areas effectively prohibit choice, since in the majority of cases there is only one school in the catchment area, which can be however large or small as the Ministry's education office in the neighbourhood determines.<sup>10</sup> This 'postcode lottery' can be overcome by parents with the means to educate their children privately, or through other 'creative' methods, such as changing their official registered residential address or getting assistance from a personal acquaintance in the relevant government agencies. Although this practice is acknowledged by many parents and civil servants we spoke to, no statistics exist to verify how widespread it is.

School vouchers and public-private partnership (PPP) schools are still new concepts within the Malaysian education system. At the time of writing, a limited voucher scheme has been introduced to enable parents to send their children to approved kindergartens, and a Trust Schools Programme has been launched.

The spirit behind the Trust School Programme is essentially PPP. However the government retains a big say in the 'private' entities running it through Khazanah Nasional, Malaysia's sovereign wealth fund which is 100 per cent owned by the government. Ostensibly a new foundation called Yayasan AMIR is to take control of many aspects of school governance, but this charitable body itself was set up and is owned by Khazanah. The programme's information booklet states: 'The vehicle that will drive the Trust Schools Programme is Yayasan AMIR, a foundation established by Khazanah Nasional Berhad (Khazanah) dedicated to this purpose. The Yayasan AMIR Trust School network is a priority education sector initiative, aimed at setting up a replicable school transformation model on a nationwide scale as a long term strategic vision.'<sup>11</sup> As the initiative has just been launched it is difficult to ascertain the independence of each entity as well as the division of responsibilities between them.

<sup>9</sup> In the case of Tunku Kurshiah College: 'Entry into Tunku Kurshiah College is based mainly on a student's performance in the Primary School Assessment Examination (UPSR) conducted by the Ministry of Education, for Standard 6 pupils. Only those who obtained 5As in this examination and participated actively in co-curricular activities stand a good chance to gain an entry. The selection is made by the Residential School Unit, Ministry of Education.' (Tunku Kurshiah College website)

<sup>10</sup> In the personal experience of one of the authors in securing a place for his daughter, even in urban areas where there are two schools close to a residential address, the education department directs children to one school or other according to a process that takes into account existing enrolment figures and no other criteria.

<sup>11</sup> Trust School Programme booklet, page 7



Timeline of education in Malaysia	
<b>Before 1816</b>	<p>Education for the traditional aristocracy was historically conducted privately by tutors. However, instruction in Islamic matters was increasingly conducted in groups, evolving into institutions known as Sekolah Pondok (literally, Hut Schools).</p> <p>Although Chinese immigration had taken place for centuries, the establishment of many new Chinese and Tamil schools began in the nineteenth century. These schools were set up and run by individuals within the respective communities (or their employers) as their migration and settlement accelerated.</p>
<b>1816</b>	Establishment of Penang Free School, the first government-run English-medium school.
<b>1855</b>	First government-run Malay School (Sekolah Melayu) established in Bayan Lepas, Penang.
<b>1905</b>	Malay College Kuala Kangsar established.
<b>1907</b>	The first Madrasah, which is more systematic than a 'sekolah pondok', was established in Singapore, called Madrasah Al-Iqbal.
<b>1950</b>	The Barnes Committee published a report calling for the abolition of vernacular schools and the creation of a unified one-type-fits-all system.
<b>1951</b>	The Fenn-Wu Report was published calling for preservation of the different types of schools.
<b>1952</b>	The Education Ordinance implemented many recommendations from the Barnes Report.
<b>1956</b>	The Razak Report was published, proposing a compromise between Barnes and Fenn-Wu Reports.
<b>1960</b>	The Rahman Talib Report reviewed the implementation of the Razak Report, providing many inputs to the Education Act 1961.
<b>1961</b>	Education Act passed to replace Education Ordinance 1952.
<b>1988</b>	National Education Philosophy introduced.
<b>1990s</b>	<p>By now, the majority of Chinese and Tamil schools are government controlled and known as 'national type' schools.</p> <p>Further statuses awarded to schools selected under particular programmes, such as Sekolah Wawasan.</p>
<b>1996</b>	Education Act 1996 passed, with a clause protecting school choice.
<b>2006</b>	Cluster Schools were introduced through the National Education Blueprint (2006–2010), which also made increasing school choice a key strategy to improve schools.
<b>2011</b>	Trust School Programme introduced.



## 4. What we learned from the literature review and members of the advisory group

The quantity of material relating directly to Malaysia was relatively scarce. We did encounter references to academic papers on the subject, but as they were not published in the public domain, many were unobtainable despite our best efforts. This dearth of material in itself suggests that academic analysis of education in Malaysia is not yet a fully formed subject. This is not entirely surprising: the study of the social sciences is not a common occurrence in Malaysian universities, public or private – there is no single faculty of philosophy anywhere in the country, and only one in history.<sup>12</sup> Thus, when we say ‘what we learned from the literature review and members of the advisory group’, it is to be noted that the latter not merely advised in contradictions within the texts, but also alerted us to much fresh material that was simply not present in the literature.

With that in mind, we were able to answer the research questions as follows:

### (a) Does choice and competition exist in the current Malaysian school system?

Part VII of the Education Act 1996 states: ‘Nothing in this Act shall be construed as prohibiting the establishment and maintenance of a private educational institution.’ Although the wording of this clause does not sound like a ringing endorsement of private educational institutions, it is significant in that it is the first time that private institutions have been recognised in a Malaysian Act of Parliament at all.

Of the available literature, much has been made of the redistributive goals of the Malaysian school system. For example, Selvaratnam (1988): ‘Since independence... the optimistic contention among the Malay ruling class is that education can produce greater social equity and justice. Therefore, it has become the cornerstone of a redistributive policy and strategy.’

Chiu’s (2000) characterisation of Malaysia as appearing to be ‘more liberal and tolerant towards its minority groups’, and being ‘the only country in Southeast Asia that has allowed the Chinese to establish private Chinese high schools’, suggests an expectation that education in the region is *not* liberal and tolerant.

Brown (2007) makes the distinction between the primary and secondary level and university level: ‘at the pre-university level, public education seeks to indicate a sense of Malaysian-ness and patriotism... at the university level, used as a tool for the promotion of ethnic Malay interests... non-Malay educationalist activism has been characterised by a broad acceptance of the regime’s strategic objectives... private tertiary education during the 1990s has largely ameliorated non-Malays’ concerns.’

Apart from ethnicity, class is another instrument of analysis in the literature. Rahimah (1998): ‘During early stages of educational development... formal (public) education was rather elitist... [but] private schools were established as charity organisations to assist school dropouts. Many of them cater for both elementary and secondary and a few until the pre-university level.’

<sup>12</sup> However, 2010 saw the launching of the Razak School of Government and in 2011 UCSI University is due to begin a Masters in Public Policy programme, perhaps signalling a change in this regard.



*The dominance of class and ethnic concerns, both in the policymaking and the resultant analyses, has been at the expense of classical liberal perspectives.*

The works encountered – including those cited above – acknowledge that choice and competition exist, and in some cases describe *why* they exist: namely the political dividends of allowing vernacular schools to continue to operate, which gives the ethnically defined Malaysian Chinese Association (MCA) and Malaysian Indian Congress (MIC) a policy area to adopt and defend. There is no intellectual defence of why choice and competition *should* exist.

The dominance of class and ethnic concerns, both in the policymaking and the resultant analyses, has been at the expense of classical liberal perspectives. The oft-encountered assumption that government ought to be the primary provider of education has not been robustly challenged anywhere in the literature encountered. Choice and competition in education, it seems, has survived as a result of the efforts of those championing class or ethnic concerns, rather than as a result of an acknowledgment of the benefits of choice and competition for all.

Discussions with members of the advisory group confirmed this. As they themselves represented or worked in a variety of different educational establishments, the diversity was wholeheartedly acknowledged. However, one member noted that the number of types might give the impression that most Malaysian students are spread equally across them. In fact, the vast majority of Malaysians attending primary and secondary schools do so under similar regimes.

### **(b) Are there any barriers to greater choice and competition in Malaysian schools?**

Nothing in the literature addresses this question directly. However, the fact that almost all the literature focuses on ethnic and class considerations suggests that greater choice and competition for individuals will be constrained by those prisms. Other types of choice not based on language considerations – such as emphases on certain subjects or extra-curricular activities – may be sidelined.

Indeed, while Hess & Leal (2001) argue that ‘competition spurs improvement’, they go on to say that ‘religious and racial considerations influence school selection’ and conclude that ‘choice-based reforms will make it easier for families to act on such preferences’. As we have already discussed, the popularity of Chinese vernacular schools or Muslim religious schools is largely based on the fact that they teach in Chinese or focus on Islamic education. There is no escaping the fact that many parents cite language, the ethnicity of fellow students and religious instruction as major motivations for selecting a school. Unfortunately no study has been conducted on this issue to date.

Thus, greater choice in school education will make it easier for Malaysian parents to make their selection based on such preferences. As a result, bringing more choice and competition into the school system may lead to the proliferation of more schools based on racial and religious concerns, leading to greater social segregation. The political resistance to such an outcome may in itself be a barrier.

Conversely, ‘national unification’ across ethnic and religious lines remains a central tenet of most political parties in Malaysia. Malay nationalist politicians often portray Chinese schools – whether private, public, or somewhere in between – as the stumbling block in the path to ‘national unity’; hence their political hostility against race-based school choice. Again, political agendas create a barrier to greater choice and competition in Malaysia.

Wrinkle, Stewart, and Polinard (1999) – who further reassert the theory put forward by Smith and Meier (1995) – found that the ‘decision to choose private schools is driven in part by a desire for religious education and by a desire for racially segregated schools’.



*A barrier of a different kind is provided by the lack of information in making choices.*

Furthermore, not all members of the advisory group were supportive of the idea of greater choice and competition in Malaysian schools on ideological grounds. One contributor, a former senior civil servant in the Ministry of Education, asserted that the education system ‘is a vital tool for nation building’, and that choice and competition would endanger that goal. In response, another participant argued that in other countries where private education is widespread there is no concomitant decrease of patriotism. Several examples of high-achieving patriotic Malaysians in the public eye – themselves privately educated – were also given. Nonetheless, it may be worth investigating the prevalence of the sentiment that nation building is the preserve of the education system as it could prove a fundamental and major barrier to reform.

Of those who supported the principle of greater choice and competition, political resistance was cited as the greatest potential barrier. Another significant barrier was the difficulty in convincing those who defend the current vernacular system that greater choice and competition would benefit them, as well.

A barrier of a different kind is provided by the lack of information in making choices. The Brookings Institution (2010) conducted a discussion group on *Expanding Meaningful School Choice and Competition*. Thomas Nechbaya from Duke University, one of their panellists, said ‘in order for competition to actually achieve the promise of being a systematically disciplining force on the system it has to be real and one of the things that make competition real is information. Choosers have to know what they’re choosing.’ The mere availability of a choice is meaningless if those who are doing the choosing are not equipped with the facts necessary to make an informed choice. Without this information, the higher-achieving schools may not be duly rewarded – or hearsay and misleading reputations may have a disproportionate influence on the choices.

The Performance Management and Delivery Unit (PEMANDU) of the Prime Minister’s Office has a *Program Pembangunan Prestasi Sekolah* (School Performance Development Programme) – a ranking of Malaysian schools in broad bands of performance – which is an indication that elements within the Malaysian government recognise this fact. However, at the time of writing, this ranking is only being made available to schools themselves, and not the parents. Together with the absence of school prospectuses, this means that the only way for parents to research schools is by talking to other parents.

### **(c) What models currently exist that use market competition as the driving force for continuous development?**

By market competition, we refer on one hand to the situation in which schools, whether public or private, freely compete against each other to attract students according to self-defined objectives. On the other hand, we also refer to parents’ ability to freely choose in which institutions their children should be educated. There are two important assumptions behind these definitions. First, schools have to continuously outperform one another in performance and attainment because these are important criteria that will influence how parents and students choose. Second, there can be no competition if funding to the school is guaranteed regardless of the outcomes. To create competition, and the race to the top, it is imperative that funding follows students or performance. Vouchers are an efficient way of achieving this, but there are other methods that could be explored.

The value of choice to parents is clear. It is not only the number of private schools that has grown in recent decades, but also the number of private tuition centres and individual providers of tuition centres. Indeed, the extent of competition between such tutors makes itself evident in newspapers and websites that advertise additional instruction in maths, music or religious matters.



*It is difficult to envisage a situation in the near future where the Malaysian government initiates a large-scale privatisation exercise...*

If the principles of choice and competition are taken to their logical conclusion we would end up with a situation where all schools are private, and all potential users have the same resources to choose between them. However in the Malaysian context schools are widely seen as a service that must be provided by the government. It is difficult to envisage a situation in the near future where the Malaysian government initiates a large-scale privatisation exercise, no matter how beneficial it may be for performance and student attainment: the political risks are simply too high.

Nevertheless, there are countries that have introduced choice and competition within the framework of a government-funded school system. Selected examples of these systems are described below, with a case study of the Netherlands treated in more detail.

### School choice

#### **CASE STUDY: The Netherlands**

As a result of a constitutional reform that guarantees freedom of education in the early 1900s, around 70 per cent of schools in the Netherlands are now private. The schools are usually managed by a foundation or a religious body, although various entities including parent groups are allowed to set up a school. All schools – including private ones – are funded by the government, based mainly on the number of students enrolled in that school, with some additional grants (Patrinos 2010; Fraser 2003).

The school board is the body responsible for the management of the school. It has almost complete authority to govern the school, including making decisions on finance, personnel, admission, and curriculum, within a broad framework set up by the central government. The central government's primary role is limited to structuring and funding the system, managing public authority institutions, inspection, examinations and student support (Ministry of Education, Culture and Science, The Netherlands, 2009).

When interviewed for this study, Dr Frans van Noort,<sup>13</sup> the principal of St Gregorius College, a religious secondary school in Utrecht, explained that teachers and administrative staff are employed by the school itself. This is unlike teachers and school administrators in Malaysia who are employed by the government. Therefore the school management has the ability to reward or sanction staff based on their performance in nurturing students.

AVS, a trade union for school leaders, defends the independence of schools to set their own terms and conditions. When asked, Ton Duif,<sup>14</sup> the head of AVS, argued that such an environment benefits students the most because teachers would do as much as possible to support the students.

The Netherlands system is an example of how choice, competition and decentralisation created by a system similar to the voucher system benefits students. Commenting on this system, a World Bank report entitled *The Role and Impact of Public-Private Partnerships in Education* published in 2009 says 'the system is not only successful academically but is also cost effective, yielding good results at relatively low cost'.<sup>15</sup> The Netherlands has also consistently performed very well in both TIMSS and PISA.

<sup>13</sup> Interviewed on 30 November 2010

<sup>14</sup> Interviewed on 30 November 2010

<sup>15</sup> Patrinos, H.A., Barrera-Osorio, F. and Guáqueta, J. (2009) *The Role and Impact of Public-Private Partnerships in Education*. World Bank.



*The more successful a school is in attracting students, the more money it will receive from the government.*

**Denmark** has a long tradition of government-funded private schooling, dating back to the 1800s. As a result of that long tradition, any group of parents can claim government funding by declaring themselves as a private school if they have at least 28 students (Patrinos, 2001).

In the 1990s, Denmark introduced a new funding system, known as the *taximeter*, whereby public schools receive grants based primarily on the number of students they have. The more successful a school is in attracting students, the more money it will receive from the government. The Danish system also allows freedom to choose privately run schools, with the government paying for up to 85 per cent of the cost. Many different types of private schools exist to fulfil demands for specific philosophy, pedagogical line or faith-based education (CIRIUS, 2006).

In 1992, **Sweden** introduced a voucher system that made it possible for non-government actors to set up and run independent schools. Taxpayers' money is used to fund the vouchers, allowing schooling to remain free even when parents decide to send their children to an independent school (Ministry of Education and Research, Sweden, 2008). These independent schools – mostly owned by for-profit corporations – compete to attract students, including by taking students away from municipality schools. This pushes municipality schools to improve their quality themselves and make better use of resources (Tiger, 2005).

**Chile** started their reform in the 1980s with decentralisation of school administration from the national government to local municipalities. This was followed by a change in the way schools were funded, with municipalities receiving money per student enrolled in their schools. A more radical element of the funding reform was when the government started to also fund private schools based on the number of students, effectively creating a voucher system, so long as the private schools do not charge additional fees. The private schools can be for-profit (Elacqua, Schneider and Buckley, 2005). All these reforms resulted in greater school choice for parents.

**New Zealand** provides another interesting example. LaRocque (2005) explained that the Kiwi education reform, especially the one started in 1989 under the Tomorrow's School agenda, resulted in three types of schools that exist now:

- State schools: owned by the government, receive full funding on a 'per pupil' basis, cannot charge fees
- State-integrated schools: privately-owned schools, receive full funding on a per pupil basis from the government, can ask for donations and charge attendance fees to cover capital costs
- Independent schools: privately-owned schools, receive only 25 to 35 per cent of the average per pupil cost of educating a child in a state school, can charge fees and ask for donations.

LaRocque went on to describe the positive impact of the reform thus: '... the reforms created a more competitive environment for schools (at least within the public sector), increased choice for all and particularly for students from low-income families, eliminated an entire level of education bureaucracy, provided communities with greater voice in schooling, and gave schools the freedom and autonomy to better meet the needs of local communities. Good principals were given the freedom to turn around failing schools. In many respects, the New Zealand reforms were world leading.' (2005, p7)

The system of **charter or trust schools** is also a model that can be explored. In this model, private foundations are empowered to take certain decisions that previously government would take.



*Supporters of school choice through the voucher system – the authors of this report included – would argue that the competition, in turn, would result in performance and attainment improvements.*

#### **(d) What can be learned from the various models and how beneficial are they?**

Many members of the advisory group were indeed aware of models in other countries, including those described above, but all warned about the pitfalls from importing those models wholesale. Instead, the emphasis was on ‘bearing in mind the Malaysian context’ i.e. how greater choice and competition can be injected into the Malaysian school system given the current scenario.

However, all the international examples above are in fact variations of the voucher system. In all instances, money follows students, thereby forcing schools to compete to attract ‘clients’. Supporters of school choice through the voucher system – the authors of this report included – would argue that the competition, in turn, would result in performance and attainment improvements.

Ultimately the virtuous cycle of competition and improvement would benefit students. See, for example, the extensive works by Patrinos (2001, 2002, 2010), Hoxby (2002, 2003), Neal (2002), and Patrinos, Barrera-Osorio and Guáqueta (2009).

#### **(e) If choice and competition have benefited other countries, how can Malaysia bring more choice and competition into the school system?**

As has already been noted, many stakeholders are wary of the adoption of other countries’ models into Malaysia. Davis and Ostrom (1991) emphasise that there is ‘... no one institutional design representing the “one best solution”.’

However, for a country like Malaysia, the voucher system is definitely one that is worth exploring further. With the recent drive by the government to encourage more public-private partnerships there is an opportunity to weave in the voucher system as an important part of the reform.

Other lessons that may be drawn from the various models include the following.

- The example of Catholic schools in America was intriguing in that these ostensibly religious schools also had a reputation for superior performance. For example, Neal (1997) discovered ‘urban minority students benefit most from access to Catholic schools because their local public school alternatives are poor... this is especially true among urban minorities who are economically disadvantaged.’ In Malaysia there seems to be a residual perception of convent schools as top-performing schools, but it is possible that Islamic schools might emerge to become the Malaysian equivalent of these Catholic schools. Furthermore, enrolment statistics in some Chinese schools show that many non-Chinese families are already cognisant of those schools’ superior academic outcomes.
- Ouchi (2003) found that it is possible to expand choice and competition in the traditional public school system and in turn enhance the quality of education. He found that ‘educational success had little to do with any of these factors (whether the school is public or private). Rather, success came about when talented principals were given maximum control over their schools – including budgets, hiring, and educational programs – and held accountable for the results.’ Autonomy is the key here in improving choice, competition and quality in the school system. His study also found that less centralisation leads to better student performance. Given that the Malaysian government has just embarked on a Trust Schools programme, this is reassuring.



- It is also interesting to note that despite the concerns of Malaysian policymakers that greater choice and competition may lead to greater ethnic and religious segregation, the experience from the USA suggests otherwise; as the survey carried out by Greene (2000) shows, private and charter schools are less segregated than government schools.



## 5. Conclusions

*It is perhaps this government acquiescence to some degree of choice and competition that has silenced more vocal support for choice and competition.*

Literature advocating choice and competition has been lacking primarily because government policy has long assumed that education is a matter for central planning. There has been little academic or policy resistance. This is not surprising given that until recently the vast majority of higher education establishments were funded by government. Even during the heyday of radicalism within Malaysian universities in the 1950s and 1960s, when there were anti-government protests, these were not about greater choice and competition. Rather, they were about the promotion of political personalities or brief but highly charged campaigns in the Cold War context. Thus, talk of greater choice and competition has been the preserve of a small section of civil society, although this is changing.

This is not to say that choice and competition have not operated in practice. Over centuries the institutions of *sekolah pondok*, *madrasah*, philanthropic and missionary schools have created a web of different school types that have catered to different demands. When the nation state of the Federation of Malaya and later Malaysia came into existence, these different demands were acknowledged by government, leading not only to government policy that supported the existence of vernacular and religious schools, but also to tolerance of a wide variety of private schools.

It is perhaps this government acquiescence to some degree of choice and competition that has silenced more vocal support for choice and competition. However, amongst the educated middle class, and particularly amongst elites (some of whom were educated in previously autonomous but now government-controlled schools) the realisation that greater autonomy was (and could still be) beneficial is leading to calls for less government intervention in Malaysian schools.

Indeed, conversations with former senior civil servants reveal a sense of nostalgia for the English national schools. Amongst many sections of the populace there is a general feeling that somehow 'things were better' in previous decades, but the connection to the availability of different types of schooling is not often realised.

This is further hampered by the lack of ideological competition between political parties in Malaysia, which are identified both by the popular press and by the organisations themselves according to their ethnic or religious allegiances. Indeed, the dominant wings in both political coalitions in Malaysia today generally favour state intervention in the public sector, particularly in education. One member of our project advisory group, a pioneer of private schools in Malaysia, revealed that she had been confronted with a parent condemning her making a profit from education as a 'sin'.



## 6. Recommendations

*We call for all political parties to acknowledge that the vast majority of Malaysian parents simply want the best for their children, and as such should have the right to determine what sort of education their children receive.*

Injecting the merits of choice and competition into mainstream thinking of Malaysian policymaking in education will take a concerted effort in public education and high-level lobbying. This paper has highlighted some of the challenges in moving the debate away from ethnicity, religion and class and towards greater choice and competition for all.

We call for all political parties to acknowledge that the vast majority of Malaysian parents simply want the best for their children, and as such should have the right to determine what sort of education their children receive. This means equipping them with information on existing schools within the public system so that parents are able to choose institutions which they feel suit their children best. It also means decentralising more power to schools themselves – by empowering headteachers and parent-teacher associations to make decisions on aspects including admissions, discipline and the like. It is only when the benefits of such a policy are proven that the argument on school choice and competition can be won.

We recommend that civil society actors be strengthened. This includes a number of education bloggers as well as organised groups such as the Parent Action Group for Education (PAGE).<sup>16</sup> Political parties should be made aware of the potential electoral power of such groups.

We further recommend that social entrepreneurship movements in education be supported. One particular example is Teach For Malaysia (TFM), which aims to popularise the profession of teaching amongst top-achieving graduates in order to improve educational outcomes in currently underperforming schools. If successful there could be significant knock-on effects in terms of competition between teachers and between schools in attracting teachers.

We also recommend public education and media efforts to remind Malaysians of the better aspects of the education system that existed in the past, and by pointing out that greater choice and competition can reintroduce such aspects in the country's education system today.

<sup>16</sup> The authors recognise that PAGE's campaign at the moment is narrowly focused on creating an option to teach Maths and Science in English, and not school choice in its wider sense. However, we also feel that their campaign is an important step towards introducing elements of choice in the Malaysian school system.



## Appendix

### Number and types of school

As of June of 2008, there are 9,825 government and government-aided schools. 7,644 of them are primary schools and 2,181 are secondary schools. Government and government-aided schools comprise national, national type, religious, technical, residential, etc.

There are, however, very few private schools in Malaysia. In total there are only 297 private institutions that can be categorised as schools in the same way that government and government-backed schools are categorised. The private institutions are made up of academic, Chinese private, international, religious, and some others.

While there are 113,795 enrolments in private schools, the number of students enrolled into public schools is an astounding 5.3 million.

It is important to note, however, that there are quite a number of private tuition centres in the country. There are 2,369 tuition centres legally registered as of June 2008, with nearly 200,000 enrolments. Furthermore the problem of unlicensed tuition centres has made it into the press, but no reliable estimates have been found as to their number or popularity. It is common practice, particularly among urban and middle class parents, to send their children to extra tuition classes. Most students attending private tuition class are also attending public schools. This makes them clients of both public and private institutions.

*All the above statistics were obtained from the Educational Planning and Research Division, Malaysia Ministry of Education.*



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