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>> [Back to the article](#)

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UNIVERSITY EDUCATION

Fund the student, not the institution

By Ivan Png & Ng Pin-Quan

MINISTER of State (Education) Lui Tuck Yew announced last Friday that by 2009, one in four in each cohort of students will be able to get a place in a publicly funded university.

This year, the three publicly funded universities - National University of Singapore, Nanyang Technological University and Singapore Management University - will cost \$1.73 billion a year. This amounts to more than 5 per cent of the national budget.

Can the nation afford to spend an ever-increasing proportion of national income on higher education? We face the same question in health care, and the Government's answer has been to introduce means testing.

The key principle of government assistance should be that subsidies are targeted at the less well-off. It makes no sense to use public funds to subsidise the wealthy. Means testing would direct government assistance to those who would benefit most.

The second principle of government assistance is that the subsidy should be for the beneficiary, not the service provider. We provide assistance to poor families who cannot afford electricity. We do not subsidise Singapore Power.

By contrast, the Government's present tuition grant - the system of supporting university education - does not discriminate between rich and poor, and the grant is tied to the university.

We believe it is now time to reform the system. Health Minister Khaw Boon Wan worries about too many wealthy people opting for C-class treatment in government hospitals. So, he will introduce means testing for C-class wards. The subsidy 'leakage' in the university sector is probably more severe than in health care.

In health care, the subsidy leakage is limited by product differentiation. Most wealthy people choose A-class wards because of the better service. However, universities are organised quite differently. Professors are ethically bound to offer the same service to rich and poor. Every student in the class benefits from the same lectures, tutorials and experiments. There are no A-class libraries or C-class laboratories.

A fair number of university students are from relatively richer families. Just consider how many medical students drive to campus. Absent any product differentiation, the subsidy 'leakage' is bound to be severe.

The other necessary reform is to provide the subsidy to the student rather than the university. The US government subsidises university education through loans and grants to students on a means-tested basis. The student can use this assistance at any approved institution.

We advocate that the Government give eligible Singapore students a means-tested 'higher education voucher' to subsidise university tuition expenses. Indeed, we would go further to allow the voucher to be used at any approved institution - within Singapore (including private institutions like UniSIM) and externally.

This system of funding the student rather than the institution fosters a personal sense of responsibility. It is an extension of our current system of financial aid by which university students from relatively poorer backgrounds meet their living expenses.

Our proposal would also provide the foundation for a more robust higher education sector. Our publicly funded universities have matured to the extent that they can compete on a level playing field with private and foreign institutions.

Our proposed voucher system would also raise the transparency of the support for foreign students in the university system. The Government now provides tuition grants to foreign students. There is even less reason to subsidise wealthy foreign students than wealthy Singaporean students.

We add one proviso. Universities perform two roles - the production of knowledge (research) and its dissemination (teaching). The voucher system would work well to allocate scarce resources in teaching. The Government should still fund the universities on an open, competitive basis to perform research.

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