SERVICES DEVELOPMENT IN MALAYSIA: REPOSITIONING EDUCATION AND HEALTH AS ALTERNATE SOURCES OF GROWTH

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FOCUS OF THE PAPER

- Role of services in the Malaysian economy
- Tertiary education and its export potential
- Healthcare industry and its export potential
SERVICES AS THE ENGINE OF GROWTH

• Loss of comparative advantage in labour-intensive manufacturing
• Manufacturing has reached optimum share – 30%
• Services sector development integral to further development of manufacturing
• High reliance on import of intermediate services
• Expansion of growth potential of services
• Liberalisation and increasing competition under GATS
SERVICES CONTRIBUTION TO THE ECONOMY

Share in GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture</th>
<th>Manufacturing</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>33.0</td>
<td>19.6</td>
<td>44.7</td>
</tr>
<tr>
<td>1990</td>
<td>28.5</td>
<td>26.9</td>
<td>46.1</td>
</tr>
<tr>
<td>2000</td>
<td>16.0</td>
<td>32.3</td>
<td>57.0</td>
</tr>
<tr>
<td>2002</td>
<td>14.8</td>
<td>28.5</td>
<td>56.6</td>
</tr>
</tbody>
</table>
## SERVICES CONTRIBUTION TO THE ECONOMY

### Share in Employment

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture</th>
<th>Manufacturing</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>38.5</td>
<td>15.5</td>
<td>46.0</td>
</tr>
<tr>
<td>1990</td>
<td>26.6</td>
<td>19.9</td>
<td>53.5</td>
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<tr>
<td>2000</td>
<td>15.6</td>
<td>27.6</td>
<td>56.8</td>
</tr>
<tr>
<td>2002</td>
<td>14.6</td>
<td>27.1</td>
<td>58.2</td>
</tr>
</tbody>
</table>
### Sectoral Linkages of Services Sector

<table>
<thead>
<tr>
<th>Category</th>
<th>1983</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermediate Demand</td>
<td>27.3</td>
<td>31.0</td>
</tr>
<tr>
<td>Private Consumption</td>
<td>20.3</td>
<td>21.5</td>
</tr>
<tr>
<td>Government Consumption</td>
<td>18.8</td>
<td>16.1</td>
</tr>
<tr>
<td>Capital Formation</td>
<td>23.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Exports</td>
<td>7.1</td>
<td>11.3</td>
</tr>
</tbody>
</table>
POLICIES ON SERVICES DEVELOPMENT

Three Phases in the Development of the Services Sector

• Services sector as the “non-productive” sector 1950s to mid-1980s
• Liberalisation and deregulation : Mid-1990s to 2000
• Focus on services as the engine of growth - Post 2000 Phase/GATS
TRADE IN SERVICES

• Malaysia is a net importer of services
• Huge and growing deficit in services trade
• Export of services as a share of total exports – only 15%
• Measures recently introduced to export and import substitute services have had some positive impact
  – Tourism promotion
  – Expansion of supply in shipping, insurance, finance, education, health
EDUCATIONAL SERVICES

- Liberalisation and deregulation of the education and training market since the late 1980s
  - to increase domestic supply
  - export promotion of tertiary education
- Heavy investment by the public sector in education and training
- Fiscal incentives granted to private educational institutions
DEVELOPMENT OF TERTIARY EDUCATION

- Unprecedented growth of tertiary educational institutions

<table>
<thead>
<tr>
<th>Number of Institutions</th>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>12</td>
<td>280</td>
</tr>
<tr>
<td>2001</td>
<td>16</td>
<td>704</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Student Enrolment</th>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>107,865</td>
<td>143,803</td>
</tr>
<tr>
<td>2001</td>
<td>192,511</td>
<td>270,904</td>
</tr>
</tbody>
</table>
QUALITY OF EDUCATIONAL SERVICES

• Governed by the National Accreditation Board
• Local institutions of higher learning have tied up with foreign universities
  - Programme is delivered in Malaysia but degree is awarded by foreign university
• Academic staff to student ratio is 1:18 in 2001 – comparable to major exporters of education
• Development of higher education monitored by the newly established Higher Education Dept.
EXPORT OF EDUCATIONAL SERVICES

• In 2001, 18,245 foreign students were enrolled in tertiary educational institutions
• Foreign students constitute about 3 per cent of total tertiary enrollment, but numbers grew rapidly recently
• From 1997 to 2000 numbers from 3,400 to 4,770 at public institutions and from 2,444 to 15,003 at private institutions
• Foreign exchange earnings in 2001 RM325 million
EXPORT MARKET

- Majority of students from China and Southeast Asia
- Growing number from South Asia, Africa, and Middle East
- Major courses pursued: Business studies, IT, and engineering
STRENGTHS, WEAKNESSES, & SCOPE

- Quality education at competitive prices
- Low cost of living
- Medium of instruction is English
- Ability to obtain foreign degrees in Malaysia
- Asian and Islamic cultural heritage
- Private institutions over-regulated
- Immigration procedures need to be relaxed and simplified
STRENGTHS, WEAKNESSES, & SCOPE

• Need to build upon existing competitive advantage
• Need for a more integrated approach to promote and market Malaysia as a center of excellence in higher education
• Need to revamp existing policy and institutional framework for the industry to meet market demand
• Need to tie up with top-notch universities
HEALTHCARE SERVICES

- Healthcare industry revamped in the 1990s shift in focus from disease to wellness
  - Health promotion and prevention programmes
  - Restructuring of public hospitals
  - Setting up of sub-speciality centres
  - Use of IT and multimedia technology
  - Introduction of National Healthcare Financing
  - National Quality Assurance Programme implemented
GROWTH IN HEALTHCARE FACILITIES

• Proliferation of private hospitals:
  224 private hospitals and 121 public hospitals

• Number of public hospital beds grew from
  32,500 in 1985 to 34,536 in 2001, while private
  hospital beds rose from 1,171 in 1980 to 9,949
  in 2001

• But large research hospitals are all public
GROWTH IN HEALTHCARE PERSONNEL

• In 2000 the total number of doctors was 15,619, with 54% in public hospitals

• Vast disparity between the public and private sectors in the ratio of doctors to hospital beds

• Severe shortage of doctors and other medical professionals
HEALTHCARE COSTS

• Public expenditure in 2002 was RM6.0 billion, of which RM4.8 was operating expenditure

• Healthcare costs have risen significantly
  - Increase in prices of drugs
  - High import content – 70%
  - Increase in prices by 30% since 1998 following ringgit depreciation
EXPORT OF HEALTHCARE SERVICES

- Promotion of health tourism began in 1998
- Foreign patient admissions numbered 14,747 in 2001 – growing at around 27% p.a.
- Indonesians accounted for about 50%
- Majority chose Malaysia based on referrals
ISSUES AND CONCERNS

• Need to look into the maintenance and renewal of older infrastructure
  – Need for new approaches to financing and managing renewal

• Greater concern for environmental impact of infrastructure development would demand putting more stringent requirements on providers and managers.
STRENGTHS, WEAKNESSES, & SCOPE

• Competitive pricing
• High quality of services
• Cultural similarities
• Proximity to large markets
• Need to address the severe shortage of healthcare professionals
• Need to undertake more concerted and integrated promotion and marketing
STRENGTHS, WEAKNESSES, & SCOPE

• Improve immigration procedures
• Liberalise and coordinate advertisement of healthcare facilities