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There is a temptation to see all this as presaging a widespread move in Europe to charge tuition fees, and indeed, a recent European Commission document could be seen as encouraging such a development. But as the narrowness of the vote in the UK House of Commons shows and the continued resistance in Scotland and Wales, the introduction of a substantial tuition-fee element to first-degree work undertaken by home students is deeply controversial, even in the most market-led higher education system in the European Union and even when the scheme is designed in a way that might not be thought unattractive to students. With its reduced majority, the Blair government may even find it difficult to retain the newly introduced system when Parliament reviews it, as it is committed to do, in 2009. At the very least it is unlikely that the advocates of raising the £3,000 limit much in 2009 will be successful, and, as a consequence, the government will find itself under renewed pressure from the universities for a larger public investment in higher education. ■

Manpower Planning and University Enrollments: The Debate in Singapore

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Faced with growing resource constraints, many countries are grappling with the issue of how best to allocate resources to publicly funded universities. Quite a few governments have used manpower planning models to guide policies regarding university enrollments and resource allocation. These models typically derive educational enrollments from projected manpower requirements based on forecasts of economic growth. Recent public debate on university admissions policy in Singapore raises anew the question of the effectiveness of the manpower planning model that Singapore (and many other countries) relies on to guide university intakes. The Singapore government is committed to giving its universities greater autonomy over financing and student admissions to enable them to develop into world-class institutions. It has pledged that it will not require full financial independence of publicly funded universities. Nevertheless, the government continues to direct university admissions to ensure the output of graduates matches projected skilled manpower needs.

UNIVERSITY AUTONOMY

The stated goal of university autonomy may, however, not cor-

respond to the manpower planning model that has influenced university admissions and funding for the past 30 years. The model was useful while Singapore's mass-manufacturing-driven economy was catching up to developed-country levels of industrial development. Today, rapidly changing technology and skill requirements make it harder to discern the way ahead, even for the world's most adroit, anticipatory nations and world-class multinationals.

In most countries where the government provides the bulk of the funding for universities, individual universities make these policy decisions. "University autonomy" means that each institution decides what degree programs to offer and their course content; how many and on what criteria students are admitted to each program; how much is charged for tuition; the types and terms of faculty recruited; and how faculty, students, and the university itself are evaluated.

MARKET SIGNALS

How do universities make these decisions? They depend on market signals from employers who hire their graduates; students and their parents who choose (and pay for) degree programs; and the demand for and supply of academic manpower in various specializations. This market responsiveness ensures flexibility and efficiency in resource allocation.

If employers do not hire the graduates of any particular university or degree program or if the salaries they offer are too low, students and parents will shift their demand (and tuition revenues) to other universities and courses whose graduates are better rewarded in the job market. Faculty in specialized, high-demand areas will experience a rise in salaries, which will attract academic talent into those areas.

These supply-and-demand alterations do not always take place instantaneously or smoothly, but the market functions well on the whole. In producing academic excellence and technological innovation, these changes also absolve governments (who fund universities) of blame should universities misjudge market signals and make the wrong decisions.

Employers look for higher-order thinking and communication skills, and more recently, IT skills. They value employees with the capacity to learn, relearn, and unlearn. They also seek a diverse workforce in terms of training, outlook, and subject knowledge. Business leaders who sit on the advisory committees of American universities often counsel against training undergraduates in specific narrow and especially novel fields. They stress instead basic disciplines and breadth of course work because highly specific skills and knowledge can quickly become obsolete.

HOW UNIVERSITIES RESPOND

Highly rated and market-responsive universities offer a variety of degree programs and produce a wide range of graduates. Unlike Singapore, where manpower planning is skewed toward engineering and business, top British and American universities produce few business graduates at the bachelor's

level. At the University of Michigan, for example, less than 400 out of an annual total of 5,000 graduates are business majors. Yet the vast majority of its graduates find employment in the business sector.

Students and their parents want equitable and transparent access to higher education, a fair admissions process, flexibility in course selection, good-quality instruction, government or private-sector financial assistance, and good jobs upon graduation. Universities, for their part, want continued government funding but with autonomy over enrollments, fees, admissions standards, student and faculty recruitment, and course curricula. The institutions compete for top-quality faculty and seek to recruit well-qualified graduate students to advance research agendas and assist in undergraduate instruction.

The government continues to direct university admissions to ensure the output of graduates matches projected skilled manpower needs.

PROMOTING EQUITY AND EFFICIENCY

Equity and efficiency should be the criteria for evaluating the various stakeholder interests while determining policies on student admissions and tuition. Tuition-based funding borne mainly by students themselves is efficient because it produces a better match between supply and demand for particular university places and for particular types of graduates. The courses students choose will reflect their own intellectual preferences and expected lifetime income. On a yearly basis, the courses are likely to be “closer to the market” than manpower plans based on projected economic growth rates. Tuition-based funding is also equitable since the individual graduate is the main beneficiary of the higher lifetime income and nonpecuniary benefits afforded by the person’s university degree.

In developed economies, many students pay for university tuition by taking out loans from the government or the private financial sector. Involving banks in providing loans will help allocate resources more efficiently, since they can charge higher interest rates for more risky courses of study. In Singapore, however, it may take a while to change mindsets. Accustomed to highly subsidized education, families and students remain reluctant to take loans to finance education.

We believe a market-based system of allocating university places, funded primarily by tuition paid by students themselves, is both efficient and equitable. Such a system improves the performance of universities themselves and encourages academic excellence, to the benefit of society as well as graduates and employers. All stakeholders—the government, employers, parents, students, universities, academics and the public—will adjust to this system if it is allowed to evolve.

The deterministic manpower planning models that have served many countries well, including Singapore, are no longer appropriate as guides to resource allocation. It is time to introduce more market-based and flexible mechanisms into university enrollment planning. ■

US Privatization, Accountability, and Market-Based State Policy

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In the United States, the relationship between state governments and public colleges and universities is being redefined with new notions of autonomy and accountability and highly market-driven funding policies (often referred to as “privatization”) as the centerpieces. These new patterns have implications for both public and independent colleges and universities. The American Council on Education convened three roundtable conversations of presidents and other higher education leaders to explore the implications of this changing relationship. The following points emerged from those discussions and appear in the paper, “Peering around the Bend: The Leadership Challenges of Privatization, Accountability and Market-based State Policy.”

Business is not “as usual.” Situations and strategies unthinkable just a few years ago are becoming increasingly commonplace. For instance, a few business and law schools at public institutions are moving toward privatization, distancing themselves from both the states and their parent universities. Public universities are seeking “enterprise status” to become quasi-public institutions. One southern governor offered deals to his public institutions to privatize, removing them from state authority and state funding.

Innovative (but untested) policies are emerging. Policies labeled as decentralization, tuition deregulation, vouchers, public corporations, state enterprises, charter colleges, and state compacts are appearing, reflecting the changing perception of the role and function of public higher education. These assumptions, long based on the premise that higher education is a public good, are being replaced by a public belief in higher education primarily as a private individual good. However, the policy labels and their definitions vary, making it difficult to understand what is truly happening.

Higher education leaders must reconcile two competing policy tensions. One set of policies encourages expansion and rising expectations of higher education’s many services to society. In many states, public officials see higher education playing a central role in addressing state economic and social needs, in addition to traditional education and research roles. The other set of policies encourage contraction and fiscal restraint. State support is not expanding commensurate with institutional needs, and in some states it is even declining. Institutional leaders find themselves in difficult situations because they can-