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# **Funding Higher Education for Human Capital and Social Justice in Indonesia**

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Submitted in fulfilment of the requirements

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## **Abstract**

With the introduction of the Uang Kuliah Tunggal (UKT) policy in Higher Education Act 2012, Indonesia's policy indicates an attempt to implement both human capital for competitive advantage and social justice concepts within its higher education system. The Government's planning documents had increasingly emphasised the need for higher education to produce graduates that can be competitive at a global level, whilst the participation in higher education needed to be equitable. Public HEIs are expected to come up with effective and efficient responses to both economic and social problems.

This research is aimed at investigating how the objectives of human capital accumulation were put into practice to implement the education for all as required by the Constitution. There is some inherent tension between these two missions. In the bottom ladder on implementing the UKT policy, the public HEIs must face a dilemma for acting on the conflicting action and rule in the policy text. For example, the dilemma comes from the need to pursue higher funding while maintaining certain affordable tuition fees, to pursue excellence while maintaining a place for the disadvantaged students and to pursue competitiveness while maintaining equity.

The data of this study is investigated with interpretive policy analysis and bottom-up implementation approach. Thirty-two respondents from three public HEIs in Indonesia participated in this study to explore the enactment of UKT policy. To support the data, document and news analysis related to the implementation of the UKT policy is also conducted.

The findings of this study showed how the respondents have different interpretations of how UKT policy was enacted. Only one institution did the UKT based on the initial design, but it needed to minimize the expansion of access. The other two institutions follow the idea to expand the students but limit the admission for students with low tuition fees. On the other hand, all public HEIs must operate below the standard cost needed for delivering good quality of education. The lack of funding put priority of allocation on qualification's prestige instead on the education itself.

I argue that the policy has neither achieved its objective of advancing social justice or competitiveness. This is due to an overemphasis on the economics aspect by the Indonesia Government, coupled with lack of funding and big gap in political power. Higher education is translated as the means to the labour market and in the lack of funding, this has resulted in HEI focused on qualifications rather than learning. The lack of funding in turn arises from an interpretation of low tuition fees as a proxy for social justice and limited funding capability from the government from low tax income.

Social justice is only interpreted as cheap tuition fee policy in practice. The social justice as believed by the respondents somehow seems to be relevant with libertarian justice as described in Brighouse's (2004) book. This condition is contradicted with the policy document where the government admitted that to guarantee the right to get education for all, the citizen needs an affirmative admission policy. This policy has been provided in the documents called Mandiri admission test. However, in practice the Mandiri path is only admitted to the students who can pay a high sum of entrance fee and high tuition fee. This clearly does not conform to the Indonesia Higher Education Act 2012.

There were many inferences in this research and conform many literatures that the competitive value in economic objective has conflict to social justice objective. On the other hand, low funding with weak legal and administration capability in countries in the South Hemisphere can be a big barrier to pursue human capital for competitive advantage. It is suggested that Indonesia focussed more on the social objective of higher education as it used their limited public funding well.

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## Author's Declaration

“I declare that, except where explicit reference is made to the contribution of others, that this dissertation is the result of my own work and has not been submitted for any other degree at the University of Glasgow or any other institution.”

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\_\_\_\_\_ Muhammad Arifin Pelawi \_\_\_\_\_

Signature: \_\_\_\_\_

## Definitions/Abbreviations

SES	:	Socioeconomic Status
HEI	:	Higher Education Institution
HE	:	Higher Education
MoRTHE	:	Ministry of Research, Technology and Higher Education
MoEC	:	Ministry of Education and Culture
UKT	:	Uang Kuliah Tunggal (Single Tuition Fee)
BKT	:	Unit cost for operational of higher education per students in a semester
DPR	:	House of Representative
BOPTN	:	Operational grants for public higher education
PTN-BH	:	State Owned Legal Entity Universities
PTN-BLU	:	Higher Education Institutions in Public Service Agency form
<i>Bidik Misi</i>	:	Need-based Scholarship
Mandiri	:	Admission test held privately by University
SBMPTN	:	Joint admission test for entrance selection to state public higher education institutions
SNMPTN	:	National selection for entrance to public HEIs (By invitation based on past academic performance)

# Chapter 1 Introduction

## 1.1 Scene Setting

Higher education (HE) plays an important role in modern society, providing new technology, new knowledge, education, skills, training and lifelong learning to humankind. In recent decades, however, HE has been increasingly promoted as a way for individuals to be more productive and have better career opportunities. In economic development discourse, higher education is also seen as important for countries to accumulate human capital and in turn gain competitive advantage (Johnstone, 2006; Gidley et al., 2010; Lozano et al., 2012; Lee and Lee, 2016; Marginson, 2016a).

Nowadays, higher education systems are transforming in response to the economic objective of education; this is manifested through higher education financing. Bok (2003) claimed that one most significant effect of this objective is indicated by the rising need for the universities to hunt funding sources. He stated that the main cause of the need was the competition for high rank and also best faculties and students. This ambition put universities in the never-ending need for more money as:

Faculty and students are forever developing new interests and ambitions, most of which cost money. The prices of books and journals rise relentlessly. Better and more costly technology and scientific apparatus constantly appear and must be acquired to stay at the cutting edge. Presidents and deans are anxious to satisfy as many of these needs as they can, for their reputation depends on pleasing the faculty, preserving the standing of the institution, and building a legacy through the development of new programs (p.9).

This has led most of the higher education institutions (HEIs) across the globe to rely less on governments for financial support, with a shift to tuition fees and other individualised sources of funding, while central governments are asked to reduce their financial authority. (Johnstone, 2006; World Bank, 2002; *ibid*, 2015).

A much debated question in higher education discourse (Furlong and Cartmel, 2009; Gidley et al., 2010; McCowan, 2012) is whether education for human capital is capable of providing justice based on the right to education. Furlong and Cartmel (2009) claim that the economic motive brings a shift on the meaning of

justice in educational policy, from equality of opportunity to justice based on equality under meritocracy. Under equality based on meritocracy, access to higher education depends on competition of merit. McCowan (2012) maintained that an education system based on equality of opportunity must have sufficient places for those who want and have the ability to enrol at HEIs. This situation would lead HEIs to contract and expand the institution based on the number of students able and possessing the desire to study (idem). There should not be a competition 'in which the highest performing students get access to a limited number of places, but a requirement for fulfilling a minimal level of preparation' (McCowan, 2012: 125). Thus, universities can perform as social institutions rather than contributing to social stratification by 'the monopolization of places in the top universities by the upper middle classes' (Furlong and Cartmel, 2009: 6).

There has been a long and consistent literature that shows how education systems serve to justify and maintain the means and relations of socio-economic class reproduction (Bourdieu and Passeron, 1977; Bourdieu, 1997; Burke, 2013; Archer, 2007; Rosinger et al., 2016; Slaughter and Taylor, 2016). The social justice scholars powered by Bourdieu's capital theory, claim that the root of the problem of inequality in education is unfair competition of access. Socio-economic status of families provides differential resources based on economic, cultural, and social capital available to students, which differentially settings access of higher education institution. Better capital would provide access to better higher education institution which in turn provide better academic credential. Good academic credential itself used as justification to get high SES which in cycle would provide class reproduction. Thus, there is then a demanding insistence that policies be devised to change this.

According to human capital scholars, educational policy needs to maximize the equal proportion represented in the education participation among socio-economic as much as possible with their original proportion in the population (Blaug, 1976; Woodhall, 2007). The bigger the difference means that there is a bigger proportion of human capital resources wasted because talent is equally distributed among the population regardless of their SES. The expansion of access for lowering the difference in participation rate between socio-economic classes is in the heart of human capital theory (Becker, 1960; Schultz, 1961; Friedman,

2002; Barr and Crawford, 2005). Thus, the link between the expansion, quality, and the problem of cost and funding of education are at the center of educational policy in the view of competitive advantage scholars. The main solution for making sure expansion of access while maintaining the quality to make sure the education can produce good quality and competitive human capital is student loan (Friedman, 2002; Barr and Crawford, 2005). This policy is supposed to bring enough funding for expansion of access while not reduced quality like if provided by limited government funding. The student loan also believed to bring more low SES students for participating as it makes sure money does not become a barrier for participation.

The pressure on funding thus affects the right to education for citizens, more profoundly in Global South countries. The student loan system that has been applied in Global North countries for years has less potential to be implemented in Global South countries because of their weak legal and public administration system (Albrecht and Ziderman, 1991; Ziderman, 2004). The unavailability of loans thus creates a financial barrier to HEI participation, even for the middle socio-economic classes in middle- and low-income countries (Johnstone, 2006). In addition, low taxes in these countries also affects funding capabilities from governments (Woodhall, 2007). It is hence not an easy task to implement a policy regarding tuition fees, not act as a barrier but also to fulfil the needs of higher education institutions in providing human capital both in quantity and quality. With this shifting, multifaceted role that higher education institutions are pushed to respond to many changes of government policy and react to the ever-changing needs of the labour market, while they also need to accommodate social roles expected of them as social institutions.

This thesis explores the ways in which government policy changes affect funding policy in HEIs, encompassing economic and social objectives. It focuses on various HEIs in the middle-income country of Indonesia. A focused study on the interaction between social justice and human capital development objectives in the Republic of Indonesia is thus important for three reasons. First, it helps to evaluate existing policies and their interpretation and implementation. Second, such an evaluation will assist to identify best practice, weaknesses, and unaddressed gaps. Third, this study will be critical for the development of new or complementary policy

frameworks and the identification of fundamental insights regarding the direction, content and management of higher education. Above all, this thesis addresses the question of whether the pursuit of human capital, and the guarantee of education as the right of every citizen in Indonesia, can be really implemented at once.

## **1.2 Financing Higher Education in Indonesia**

The Indonesian government believes that a key developmental challenge for the Republic of Indonesia (RI) in the age of globalisation is to increase its human capital. Its aim is to enhance its integration into the global economy for sustainable economic development. The government recognises that human capital is a competitive advantage in the global market. There are many official planning documents that show this attention, for example:

1. Masterplan Acceleration and Expansion of Indonesia Economic Development 2011-2025 by Coordinating Ministry for Economic Affairs and Ministry of National Development Planning/National Development Planning Agency
2. Peraturan Presiden No. 7/2005 about National Medium-Term Development Plan 2004-2009
3. Peraturan Presiden No. 5/2010 about National Medium-Term Development Plan 2010-2014
4. Peraturan Presiden No. 60/2015 about 2016 Government Work Plan

All the documents above are used as a basis for budgeting allocation and performance rating of ministries. The importance of this objective can be seen from the vision of Ministry of Research, Technology and Higher Education (MoRTHE) that manages higher education:

‘The realization of high-quality education and the ability of science and technology and innovation to support the competitiveness of nations’ (Strategic Planning MoRTHE 2015-2019)



On the other hand, it is imperative to highlight the prominent position that equity policy based on social justice within education occupies in Indonesia, as it is a major discourse in the National Constitution. Education as one of the basic rights of every citizen is noted four separate times in the Constitution. First in the Preamble, where it states that the government is responsible for supporting every citizen to cultivate the perfect mind for thinking, understanding, and any other capability related to life based on social justice philosophy (Brewis, 2018). The other references made are in Articles 28C, 28E and 31. Equity holds an important position in every education policy made by the government, as the policy to create the conditions wherein any citizen is denied their right to education or discriminated against based on social justice philosophy, can be challenged in the Constitutional Court for annulment. The concept of equity based on equality in education can also be seen in the above official planning documents.

The history of Indonesia itself shows how the obstacles regarding funding also affect its policy regarding higher education funding. Throughout most of its history, the Indonesian government dominated the funding of its HE system. This approach tended to come from the interpretation of the Constitution, that regards education as the right of every citizen. However, the reformation of economic policy after the financial crisis shows that the funding policy leans towards human capital with cost-sharing, whereas government funding is dire and the World Bank encourages an increase in participation rate, while simultaneously improving the quality of human capital. This policy provided HEIs with full disclosure to set their own tuition fees. The public HEIs moreover have a special admission for high socioeconomic status (SES) applicants who are required to pay a higher-priced entrance fee rather than regular admission. Besides that, Public HEIs are forced to pursue entrepreneurial ventures. The policy seemed to have a positive effect on human capital accumulation, as in 2005 there were only about 3.7 million people graduating from HEIs, whereas in 2014, the number of graduates had reached almost 10 million (Pusdatin Iptekdikti, 2016).

Many scholars, students, and even lecturers employed by public higher education institutions have opposed this policy, because they perceive it as impairing the equity of participation in higher education (Jacob et al., 2012; Kusumadewi and Cahyadi, 2013; Moeliodihardjo, 2014; Sunarto, 2015). They believe that the policy

has been driven by the market and competition, which led the government to take less responsibility for higher education. One objection raised is that the policy has created unequal access to resources between students from low SES and high SES in Indonesia. This resource gap put the low SES students, primarily located in rural areas, at a disadvantage. Whereas, low SES have strong motivation to have education with many of them willingly putting their lives in string in the trek to school (see Figure 1). Many then considered the implementation of human capital-centred policy as unconstitutional, as the Constitution of Indonesia guarantees the same right for every citizen to gain education, to conform to principles of social justice.



**Figure 1** Two students were crossing a broken bridge to gain access to school (Kiniberita, 2016)

In 2012, Indonesia introduced a new law for the higher education system with the law no: 12/2012 in an attempt to eliminate the conflict. One of the major policies within the law is the Uang Kuliah Tunggal (UKT) policy. This law attempts to eliminate the discretion of public HEIs in order to set their tuition fees and ensure that public funding dominates the costs of operating public HEIs. The UKT scheme covers three elements. First, public HEIs should allot the tuition fee plan based on the socio-economic status of students. The program enabled the students with lower economic status to pay low or zero tuition fees. Second, the Ministry created a standard cost per student in order to regulate the expenses of Public HEIs; this is called Biaya Kuliah Tunggal (BKT). Third, the government introduced grants (BOPTN) to fill the gaps between tuition fees paid by students to the BKT. Besides

the UKT, the law also required that at least 20% of total students must come from low SES families. It also introduced an admission test for helping disadvantaged students called Mandiri path.

This policy aims to create a higher education system in Indonesia that not only realises the human capital objective for economic development, but also adheres to the requirements of the Constitution. Although the policy encompasses an ambitious project, the actions for higher education to manufacture competitive advantages of human capital, and equitable participation within social justice objectives, contradict.

The high SES students are not only capable of high-cost tuition fees, but they have better benefits in terms of social and cultural capital that help academic performance as well. These aspects are important for the performance of an institution in producing competitive human capitals both on quantity and quality. Providing more places for high SES students is likely to be more rewarding to achieve a competitiveness objective but it may harm social justice by inequitable participation. In social justice terms, the institution as a social agent must put the need to provide more places for less academically prepared and pay low or no fee for low SES students. As a social agent, public HEIs also need to limit their commercial activity to serve a better social purpose. Both of these actions mean public HEIs not only have less funding and higher cost but also, they have an impact on reduced performance on producing competitive human capital.

There is also a contradiction in the nature of cost-sharing for equitable participation, as the tuition fee can be a big barrier for many students especially students from low SES backgrounds to participate, whereas without tuition fee policy, there is a shortage in the number or the quality of places available, especially for students from low SES backgrounds. Both these conditions have the potential to entrench equity problems and more drastically turn higher education into a deeper site of inequality. Public HEIs must juggle between action for competitiveness and social purposes. The action that needed in the more practical form of delivering the vague policy that was created by policymakers while accepting direct pressure of political powers of the citizens. This study investigates how such a condition affects the implementation of UKT policy in funding public higher education institutions in Indonesia.

### 1.3 Research Design

To understand how the objectives of human capital accumulation were put into practice under a constitutional requirement for the education for all, this study draws on both descriptive and analytical approaches. From a descriptive point of view, my aim is to explain to an international readership the recent higher education policy context of Indonesia and how it has evolved. First, I aim to deliver a coherent overview of the law that manages higher education in Indonesia and how the legislature with top bureaucrats in government translate human capital and social justice objectives of higher education. Analytically, my second goal is to enquire about the policy actors' positions more deeply in order to recognise and to understand how the pursuit of these objectives affects the implementation of UKT. The third goal is to identify how the simultaneous pursuit of goals based on ideas of social justice and human capital affect the attainment of one another in practice.

In accordance with the aims of the study, the main research question of this study is: "How do policy actors enact the UKT policy in funding human capital and the social justice objective in higher education in Indonesia?". This study also has three subsection research questions:

1. How does the Indonesian government interpret human capital and social justice objectives in the Higher Education act number 12/2012?
2. How do public HEIs enact UKT policy based on the interpretation and translation of funding for human capital in the higher education system from policy actors?
3. How do public HEIs enact UKT policy based on the interpretation and translation of funding for the equity of participation in the higher education system from policy actors?

This research inquiry uses interpretive and bottom-up implementation public policy research approach to answer the research questions. Interpretive approach was used on analysing documents. The street level bureaucracy as the basis for

choosing public HEI as case study and simplification on interpreting interview results.

The main data sources are Constitutional Court documents and interviews. Constitutional Court documents are important sources to give description on prescription of actions in the Higher Education act number 12/2012, based on interpretation by the central policymaker of what needed to accomplish competitive human capital while maintaining social justice. I analysed the data by looking at what prescription of action in this act has conformity with prescription of action on theory in the literature review. After that I scoured the data from news, journal and website of public HEI related to the UKT in looking for the big picture of outcomes.

Three public higher education institutions in Indonesia: one university (called University), one polytechnic (called Polytechnic), and one Institute of Arts and Culture (called School of Arts) participated in this research inquiry. The Polytechnic is one of the top three polytechnic in Indonesia based on the ranking by MORTHE. As polytechnic, all its programs are vocational, which are specialized to develop marketable competencies, and as a result, they have a great number of students who are able to get a job offer before their graduation. Thus, it is one of public HEIs with the fiercest competition for gaining access. The University is located in the small city with one of the lowest standards and costs of living in Indonesia, with nearly a half of national average. They are in the region where many students have low socio-economic status (SES), and thus, it attracts many students from middle to low SES due to its low cost of living. In addition, universities have marketable STEM programs of study, but also have social and arts discipline. Meanwhile, they also belong in the cluster 1 of Indonesia University ranking by MORTHE, so the number of students who applied is also one of the highest. The School of Arts itself is not part of top public HEIs. They also focus on the disciplines that are not marketable, as they are related to arts and traditional culture. The participants are mostly from low-middle SES students. Thus, I have a representation of HEIs that attracted middle-high SES in Polytechnic, low-high SES in University and low-middle SES in School of Arts. I have 10 to 11 respondents from each sample institution. There were 32 interviews in total, comprising five

students, six members of the faculty, six senior administrators, and 15 administrators.

After that, I used existing literature to scrutinise the magnitude to which my findings braced or antagonized the theory about human capital and social justices' objectives. The new themes developing from the mixture of the deductive and inductive process show implications of modification of existing theories, especially those related to human capital. This is illuminated and explained in the discussion chapter and in the conclusion.

## **1.4 Position of the Study**

In qualitative and interpretive research, the researcher is the main data-gathering mean and analyst (Maxwell, 2013). Therefore, the researcher's position and identity underpin the choice made at all stages of the design process of this thesis, and they must be reflected upon as forming the basis of the bias in the study (Yanow, 2007). I work as an accountant in the Indonesian Ministry of Education and Culture, that manages funding for higher education. The concept of investment and return regarding human capital is a familiar issue in my working field. Besides that, some people told me when I started to go to school that I had to study hard to get a good job and have a successful career. However, I also realised how the unequal gap in resources affects participation in higher education, and how this participation in turn affects life trajectories and intellectual ability. This is partly because out of eight siblings only my brother and I gained a university degree. I experienced how a difference in resources and social connections continues to create problems in participating in higher education. I have been disconnected with other family members who did not gain a university degree, as they only live in our home village and make a living there, while I now have different life experiences and views. As I've been part of a family who possess the value of collectivism, such conditions led me to feel detached from my roots, and uncomfortable with my family. These are my biases, as I lean towards the equity objective, while not hostile towards the human capital objective.

## **1.5 Finding and Discussion**

My study interprets the two primary problems regarding the human capital objective. First, the social justice objective affects the availability of funding. The funding from the government is inadequate, meaning that public HEIs cannot be dependent on public funding. On the other hand, the need to create equitable participation forces public HEIs to be incapable of maximising their revenues. The second problem is the interpretation of investment itself. As higher education is now regarded as an investment asset, both society and the government pressure participation with the need to return. The government and society ask for good job qualifications. This pressure creates a focus of limited funding that is not invested in the people themselves, but in 'opinion' of qualification. Thus, the quality of education itself to produce people with capable abilities that are required by the job market cannot be achieved.

The dominant nature of participation in higher education for the return in investment is the major objective in Indonesia. This condition puts equitable participation related policies fails to put into practice. The subsidy and lenient admission path that is supposedly for students from low SES are used by those who are from higher SES without any backlash. This is likely part of a bigger political situation wherein citizens and students from low SES do not hold any political power in Indonesia. The equitable participation objective does not have support in practice from the government. Meanwhile, as I will go on to contend in Chapter VII, anxiety surrounding the return of investment puts an inappropriate interpretation of the meaning of social justice. It has put pressure on the administrators from students with political power, without the aim of defending social justice but to keep low the cost of tuition.

## **1.6 Structure of the thesis**

This thesis consists of eight chapters, which are organised as follows. An introductory chapter sets the scene, financing higher education in Indonesia, research design, position of the study, and findings and discussion. The second chapter introduces higher education and equity in Indonesia. It outlines the population and basic and secondary education in Indonesia. The chapter also identifies higher education including institutions, public funding, private

contributions, relevance and return for higher education. The following section in the chapter outlines inequality within higher education and explores financial aid for low SES students and student retention.

The third chapter then provides a literature review on the background of social justice and human capital objectives, alongside the challenges that the countries are facing in funding higher education. This chapter also looks at human capital by emphasising the competitive advantage. The chapter further notes a critical review from social justice scholars regarding how human capital and competition affect higher education and the right to education. I also introduce how the implementation of human capital clashes with equity objectives in many middle-income countries. I then present the focus of this study and the chapter ended with a summary.

Research methodology and data analysis are presented in Chapter 4. It justifies the research questions, the approach to using and collecting data, methodologies used for analysing the collected data - all of which significantly contribute to the final findings. The process of data collection and analysis is also explored in this chapter.

The following chapter analyses the rhetoric collected from the document and news and puts them into perspective. It firstly demonstrates an overview of prescriptive actions in the higher education act that are put forward by central policy makers based on their interpretation of how to reach social justice and competitive human capital objectives. The chapter then discusses criticism originating from both students and the leadership of public HEIs in Indonesia regarding UKT policy and the contradictions that the policy provokes. This chapter sets out what the policy intends to do and the key challenges and contradictions that have been made during the implementation of these reforms.

Chapter 6 presents an analysis of the data taken from the semi structured review. This chapter considers more on why the policy is and isn't working. Two primary themes discussed in the chapter are funding and equity. The funding section considers the benefits of funding, the problems and inadequacies of funding, and the effects stemming from a lack of funding. The equity section provides analysis



on what acted as gatekeeping for sample institutions on implementing equity related policy.

The next chapter: Chapter 7, discusses insights emerging from the data analysis. It reflects on the dialogue of theoretical stance outlined in the literature review with the data gathered in the study.

The final chapter, Chapter 8, presents a conclusion of the study. It provides a summary of the main findings, a critical overview of the research, limitation, and future research recommendations.

## **1.1 Academic Contributions**

It is expected that this study will contribute to literature on the issue of higher education funding in various ways. This thesis hopefully can be relevant as policy analysis research. It also serves as an exploratory research of how UKT policy is addressed in implementation.

I introduced an alternative approach by not using street level bureaucracy that is widely used in analysing implementation policy. I instead used the modified Brodtkin's (2011) methodology about street level organization. Unlike, street level bureaucrat that analyse the front-end actor that delivered the policy to the masses, what I presented is how differential stakeholders in the organization shape the deliveries of the policy to masses. There has been little discussion on specifying a study to investigate more deeply the stakeholders' perceptions on human capital and social justice problems in this street level organization. Most existing literature has criticized HEIs on objective achievement while ignoring how they are stuck in the middle. HEIs have been criticized to fail for acting as a social justice organization while at the same time many of them are getting criticized for not being good enough to provide human capital and research that is really needed by industries or business to support economic development.

At the practice level, this research helps identify the conflict of objectives between widening participation for social justice and expanding access for producing human capital in existing Indonesian higher education funding policy arrangements. Almost a decade since its implementation, there has been very few

research inquiries that assessed outcomes of UKT policy related with the conflict of objectives in particular. At the international level, since the conflict between human capital which focuses on utilitarian motive and social justice emphasises on egalitarian are now immensely popular in the literature, lessons from the Indonesian case study might be useful.

This research can be very important for connecting theory behind objectives with practice of implementation in the countries in the Global South. This study investigates how the constraint of funding in the absence of student loans with limited funding from the government makes human capital objective unaffordable for countries in the South. The analysis of this study is also expected to show social inequity in higher education participation. This evidence can show how mixed objective implementation marginalizes the low SES students in countries in the Global South and fails to create a boost on human capital quality at the same time. Thus, this research goes beyond higher education funding practice by looking deeply in how theory behind social justices and human capital for competitiveness objectives can be translated partially only for the benefit of class preservation in the practices.

## **Chapter 2 Research Context: Higher Education, Human Capital and Equity in Indonesia**

### **2.1 Introduction**

This chapter offers a descriptive review of Indonesia and its education system. The main purpose of this review is to identify the variables that influenced and sustained the patterns of higher education in Indonesia that affected the pursuit of social justice and human capital objectives. The first factor is the big population with a big geographical area where there is a big disparity of human development index between regions. The second problem put in the second subchapter is related to the condition of education in pre HEI. Here, I want to show why it is hard for students from low SES to participate fully. In the third subchapter I would do a review on the condition of HEI in Indonesia with their funding and human capital conditions. In the last sub chapter, I would provide the condition of inequality of participation in the HE system in Indonesia.

### **2.2 Population<sup>1</sup>**

Indonesia is a huge country, with a population of more than 258 million extending over an area of 1,910,931 square km of land. This land comprises more than 17,504 islands which are scattered in 3,545,109 square km of sea, making it the largest archipelago in the world. The productive age, defined as below 60 reaches 91.3%, with the age group of 0-24 being around 44%. Hence, it shows that the growing needs of educational chances and vocation cannot be ignored.

The average of human development index (HDI) in 2015 was 69.5 nationally, while the provincial rate ranges from a maximum of 78.99 to a minimum of 57.25. The numbers show stark provincial differences. Indonesia has inequality between islands and provinces that resulted from inequalities in education (Moeliodihardjo, 2014; OECD/ADB, 2015).

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<sup>1</sup> Except where indicated, all of the data come from BPS 2016a. *Trends Of Selected Socio-Economic Indicators Of Indonesia : November 2016*, BPS–Statistics Indonesia.

The big inequality of HDI between many provinces in Indonesia affects the average number of HDI of Indonesia. This condition leads Indonesia's HDI to be quite less comparable to its gross national income (GNI) per capita (Jahan, 2016). The data shows that Indonesia has a bigger GNI per capita than the Philippines, and almost twice of Vietnam; however, its quality of HDI is not much different (idem). The quality of HDI between Indonesia and Dominica has a big difference but has almost the same GNI per capita (idem). There are also countries, like Tonga and Uzbekistan, that have almost half of Indonesian's GNI per capita, but show a much better quality of HDI than Indonesia (idem). However, Indonesia is not alone to have this condition in ASEAN countries; the Philippines, an archipelago country which has almost the same geographical condition, also faces the same problem (idem).

## 2.3 Basic and secondary education<sup>2</sup>

Education can be understood as a public good in Indonesia, based on the Constitution (Undang-Undang Dasar 1945). Article 31 sentence 1 of the Constitution pledges the right of all Indonesian to education. As the Constitution mandates that no citizen can be excluded to gain education, then it is supposedly the government who is responsible to provide funding for all citizens. However, sentence 2 states that it is only basic education that the government is bound to fund fully for all its citizens.

This basic, compulsory education is provided by private (the law in Indonesia only allows non-profit institutions) and public formal schools (Sekolah Dasar/Sekolah Menengah Pertama), and Islamic based schools (Madrasah Ibtidaiyah/ Madrasah Tsanawiyah), also non-formal education<sup>3</sup>. In 2015 the share of private schools in

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<sup>2</sup> Except where indicated, all of the data come from Maylasari, I., Ponco, S. H., Lanny, T., Sari, R. and Sulistyowati, R. 2016. *Potret Pendidikan Indonesia : Statistik Pendidikan 2016*. Jakarta, Indonesia: Badan Pusat Statistik.

<sup>3</sup> 'Non-formal education is provided for community members who need education services which functions as a replacement, complement, and/or supplement to formal education in the frame of supporting life-long education. Non-formal education is aimed at developing learners' potentials with emphasis on the acquisition of knowledge and functional skills and developing personality and professional attitudes. Non Formal education comprises life-skills education, early childhood education, youth education, women empowerment education, literacy education, vocational training and internship, equivalency programs, and other kinds of education aimed at developing learners' ability'(MoEC,2016, p.12)

providing enrolment in primary education was about 10.27%, and 39.29% in junior secondary. Since compulsory education is only for nine years of education, the enrolment rate in senior secondary education is significantly lower at 70.61% and mostly served by private institutions.

As a result of the achievement of nine years of compulsory education, the literacy rate among a population older than 15 is currently 97.17%. The residual illiteracy issue mostly exists within the older population (> 24 years old) living in remote provinces/regions, especially in Papua.

Based on the latest survey of more than 300,000 households in Indonesia (Susenas) and data from related ministries, Badan Pusat Statistik (BPS), an agency for national statistics in Indonesia, reported in 2016 that Indonesia's schools mostly had low quality facilities and teachers. There were also a lot of students who had to work after school. The rate was 2.42% for primary school, 4.58 % for junior high school and 11.82 % for senior secondary education. The data also showed that almost 30% of students from low socioeconomic status (SES) families in Indonesia were actively involved doing household chores, while the rate for primary students was 20%. They must do the chores because a number of both parents from low SES families must work. Children are supposed to wash clothes (manually), clean the house, cook, take care of their younger siblings, and any other chores without being supervised by an adult.

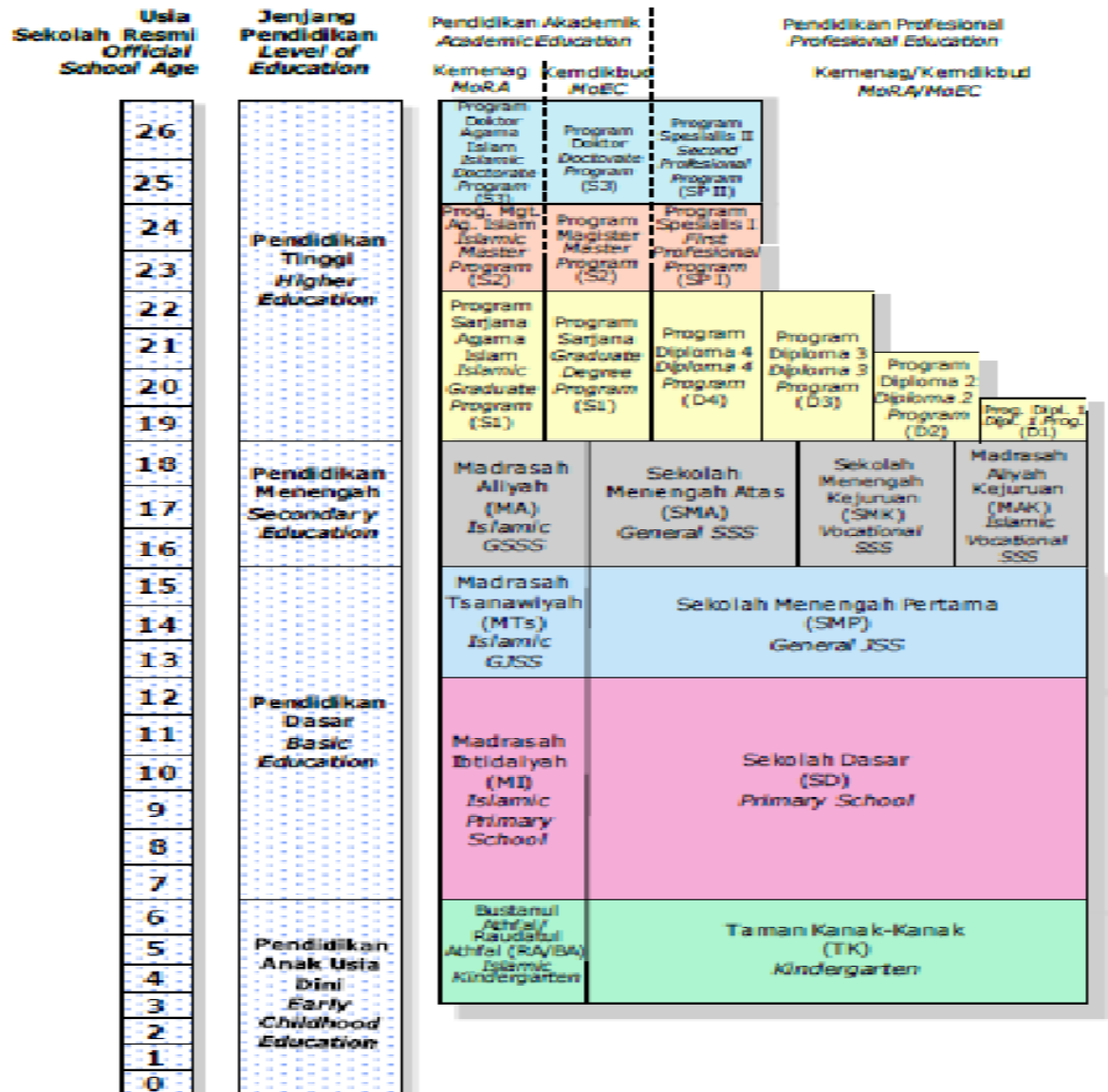


Figure 2 School System in Indonesia Based on Education System Act No: 20,2003 (MoEC, 2016)

OECD and ADB (2015) by site visits and data from ministries in Indonesia also found an interesting fact: that there were many students from low SES families enrolled in private institutions. This condition may affect the quality of education, as low SES families have no ability to pay, so private institutions operate their administration with only subsidies from the government. These subsidies only cover a fifth of the total budget for public schools.

Part of the reason why students from low SES do not attend public schools may be because they do not have the ability to pay for compulsory 'donation' and/or pass the entry test. As much as the regulation mandates that education is a right of all citizens - so no fee supposedly applies - most institutions (both public and private) call their tuition fee *sumbangan pengembangan/pembinaan pendidikan* (SPP),

translated as education development “donation”. Besides monthly SPP, many schools, including supposedly free public schools, also require a one-time compulsory “donation” at the beginning of the academic year (Paath, 2013; Solehudin, 2017). This condition makes even the “bright” students from low SES who are able to pass the test unable to register at public schools. The situation is worse in secondary education, where there is no law that prohibits the school to collect tuition fees. The value of entry “donation” can reach 25 million rupiahs (\$1,870) for elite public high schools for each student (Siswadi, 2012).

## **2.4 Higher education**

### **2.4.1 Institutions**

The first college established in Indonesia was a medical college in Jakarta and later renamed as the *Universitas Indonesia* in the late 19<sup>th</sup> century by the colonial government (Moeliodihardjo, 2014). By the time of independence in 1945, there were less than 1000 active students. Less than half were Indonesian indigenous, while Indonesian’s native population comprise 96% of the total population and European, with Chinese only about 4% of total population (Fahmi, 2007). Student enrolment in Indonesia rose to only 158,000 in 1968 as the result of unstable government. Indonesia has undergone two waves of enrolment expansion since then. The first period of significant growth occurred from the early 1970s to the late 1990s, increasing to around 2.7 million students. Of this total, 44.4 % or around 1.2 million were in the public sector. The establishment of the New Order government in 1966, with the President Soeharto as the leader, brought greater stability in Indonesia. Even though the governance was based on military dictatorship, however, most civilians who lead the ministry related to economics management are also academician; bring high growth to the access to education (Buchori and Malik, 2004). Good economic growth, particularly following the 1980s, also contributed to increased access to higher education. This growth stagnated after Indonesia was impacted by the East Asia financial crisis in 1997. The second period happened after 2004, when the economic growth of Indonesia was back on track, and the number of students increased from 2.8 million (MoEC, 2015) to 6.5 million in 2015 (BPS, 2017). However, the increase was mostly from private institutions that accounted for 4.2 million students in 2015. Students in

public higher education institutions grew to 2.35 million in 2015, only about 36% of the total.

### **2.4.2 Public Funding**

As noted, Indonesia is one of the countries greatly impacted by the 1997 financial crisis in East Asia. Consequently, pre-financial crisis public institutions secured government subsidies and charged only minimal SPP from students that were affordable to all, and even many private institutions charged affordable SPP (Welch, 2006, Moeliodihardjo, 2014). SPP only accounted for 11% of total funds in public institutions. Furthermore, about 38% of the budget for higher education went to public higher education institutions, while 58% went to private institutions, and the remaining 4% for Islamic higher education institutions under the Ministry of Religious Affairs (Purwadi, 2001).

Post financial crisis, however, public institutions became more dependent on SPP or other compulsory “donations” from students to finance their operations. The World Bank (2010) calculated that more than a quarter of funding of public higher education institutions (HEIs) came from tuition fees. Based on the Audit Board of The Republic Indonesia’s (BPK) report, the number was probably higher because most public HEIs that were audited did not report all of their revenues or “donations” (BPK, 2013; BPK, 2014). The World Bank also showed that the government budget for private institutions only accounted for 6%, and most of it likely went to sponsoring the government agency that coordinated them.

Based on Indonesian law, the budget for education must be at least 20% of total government spending. This number was reached by the government in the last decade. It is quite difficult to increase the number, because the government needs to allocate more budgets for infrastructure. Based on an OECD (2010) outlook in 2010, Indonesia has one of the worst infrastructures in the South East Asia region. The infrastructure in many places in Indonesia has defective issues. For example, in many regions, students must walk dangerous journeys just to reach the school from their homes. This is illustrated by the photos below.





**Figure 3 Risking life for school (Beawiharta, 2012)**



**Figure 4 Primary school students risk their life for school (Damanik, 2015)**

The share of the budget for education of total government expenditure is quite high compared to many other countries (World Bank, 2014a). However, the number drops if it is compared to total GDP. The reason for this condition is probably due to low tax revenue in Indonesia. It is one of the lowest rates in ASEAN; it is even lower than Cambodia and the Republic of Lao (Jahan, 2016).

Public money is also used in inefficient ways, as it must pass through many bureaucracies first (World Bank, 2014; OECD/ADB, 2015). Public HEIs have almost no financial autonomy, with all financial judgements overseen by the Ministry of Research, Technology and Higher Education (MoRTHE), and the Ministry of Finance and House of Representative (DPR). All government funding is strictly pre-allocated into an annual line-item budget decided by the MoRTHE, that must go through negotiations with DPR. Sometimes the negotiations make funding only available to use in September or October of the year, and if it is not used then the funds cannot be accessed after December. These conditions make many buildings or equipment in the universities unused or broken, as they are unfinished and had no budget to finish in the latter years. On many occasions the funding for building or equipment is then damaged because it is left unused and there is no budget for maintenance.

Moreover, whereas budgets for most levels of Indonesian public education originate from central, province and local government, HEIs find their public money almost only from the central government (World Bank, 2014; OECD/ADB, 2015). As such, public financing obtained by HEIs is controlled to the strictest regulations and bureaucracy.

Public HEIs are permitted to adjust their budgets; however, they must get approval from the central government, and in some cases, it must go through DPR approval which is difficult and lengthy. That is why, if they require changes in the price of the goods or service, there is a high probability that it must be completely discarded or cancelled. In addition, part of education budget allocated to higher education is the lowest (World Bank, 2014a)

Public HEIs also lack the authority to control their revenue through other sources; per Law No. 17/2003, money generated by public HEIs belong to the government and must be deposited into the State treasury. When revenues have connections to education, the HEIs are able to use that money. However, if the budget comes from revenue outside of education and research like the rent of facilities or interest from bank accounts, they have no right to use the funds.

Hence, education revenue under Law No. 17/2003 is considered the property of the central government. When HEIs do have access to their self-generated money

through requesting procedures from the national treasury, it must be used based on the inflexible line-item budget along with other funding from the government. Public HEIs are also forbidden from issuing bonds and borrowing money, so they have no method to obtain funding that might be used to implement a strategic improvement without consent by MoRTHE, Ministry of Finance and DPR.

A substantial portion of government funding and self-generated funds remains unspent at the end of each fiscal year in December, partly as a result of the burdensome and bureaucratic procurement procedure that public HEIs management must obey regarding the risk prosecuted by law for any deviation. By law, these unspent funds must be refunded to the State treasury and are not added up to the following year's budget.

Overall, public HEIs in Indonesia are a section of government bureaucracy. There are some public HEIs that are exempt from some of these regulations. They are public HEIs that are given 'public service agency' (BLU) and 'State Owned Legal Entity Universities' (PTN-BH) status (Logli, 2016, p. 566). BLU has the privilege to manage their revenue without depositing it first into the national treasury, and to use revenue from outside of education and research. However, they are still subject to the above line-item budget system. They must also make two kinds of financial reports: government and commercial basis accounting, which are not only difficult to make but also a source of added cost.

The only public HEIs with much real autonomy are the PTN-BHs. As a legal entity, the university is separated from the government bureaucracy. These are autonomous universities with considerably greater freedoms than other public institutions in the areas of financing, staffing, organisation, and academic matters. However, they are not really free from government intervention. Most of their staff and lecturers are public servants. Their land is still owned by the government (but not building above it), so they cannot sell it, and must have permission from the government for utilisation with cooperation from a third party. They are also subject to audits from BPK (government auditor) and required to give financial reports to the MoRTHE and Ministry of Finance, in achieving objectives set out by the MoRTHE.

Their status makes them less dependent on government financing. Even though most employees of public HEIs with BLU and PTN-BH status are public servants with their salary paid by the government, some of their allowances must be paid by their own revenue. Besides that, they have autonomy to recruit staff and lecturers who are not public servants, fully paid by their revenue. They also encourage and have the privilege of many sources of revenue besides education and research. However, for public HEIs with BLU status, this privilege is quite hard to execute as their expense is subject to rigid line-item budget system.

Many scholars, students, private universities and even internal lectures object to these more autonomous forms of educational governance in universities (Jacob et al. 2012; Kusumadewi and Cahyadi, 2013; Moeliodihardjo 2014; Sunarto 2015). They believe that this is the agenda of privatisation, that will make public HEIs neglect students with low socioeconomic status (SES). Many staff and lecturers also object to working without status as public servants. The objections of many parties make the institutions with PTH-BH and BLU status less than 10% and 25% respectively of all public universities, whereas Higher Education Long-Term Strategies of 2003-2010 already stated that promoting autonomy and having decentralisation as a new paradigm for managing higher education sector in Indonesia will be pursued.

### **2.4.3 Private Contributions**

The available financing of public HEIs comes from government funding and “donations” collected from students. On the other hand, private HEIs get most of their funding from *SPP* (tuition fees) and other compulsory “donations”, and the support of private foundations. The government does not make much of the funding available to private HEIs, although it does pay the salaries of some lecturers with civil servant employment assigned to private HEIs, while providing financial incentives for certified private lecturers.

The World Bank (2010) reported that ‘Indonesia’s levels of cost recovery are among the world’s highest cost and continue to rise’ (p.xv). Based on this estimation, on average in 2009, the annual cost per student for course delivery in HEIs was about \$1,500. This figure is similar to that in middle-income economies, but relatively high for Indonesia’s per capita GDP.

The 'high cost' of delivery does not make HEIs in Indonesia have abundant funds. One survey by Jobplanet in 2016, with 3,437 respondents, shows that a lecturer's salary on average in Indonesia is only Rp 3,326,700 (\$ 249.17) per month (Latief, 2016). That number can be said to be low because higher education graduates on average earn a salary of Rp 5,127,886 (\$ 384), while regulations make the 2016 minimum wage for blue collar workers in Jakarta Rp 3,100,000 (\$ 232.19). The ratio between lecturers and students is also very high. There are only 213,000 lecturers for 6.1 million students, and indeed makes the ratio to 1:300 (MoRTHE, 2016).

Lecturers are poorly paid and focused on seeking complementing income off campus (Altbach and Umakoshi, 2004; Welch, 2012; Logli, 2016). Many often give more of their effort and time to consulting jobs for corporate businesses and government offices than conducting academic research and teaching (Altbach and Umakoshi, 2004). Many lecturers that hold permanent positions in public universities also have jobs as visiting lecturers at private universities. At private HEIs, many instructors have positions as lecturers in multiple private HEIs, which usually cannot pay for a full-time faculty member. The number of students in a class also commonly reaches more than 100 in both public and private HEIs. As a result, students have little chance to sufficiently relate to their lecturers outside of class or receive the support that is essential for their learning.

#### **2.4.4 Relevance**

A lot of graduates do not have higher-level problem-solving and critical abilities with teamwork skills that are needed in most modern labour forces (World Bank, 2014a; OECD/ADB, 2015). Lecturers in many HEIs do not have qualifications and/or willingness to adopt more interactive methods for teaching and learning. There is a lot of time needed for preparation and grading to apply inquiry-based teaching methods which use homework and teamwork projects to foster creativity and skills.

A lot of courses were predominantly conducted through traditional lectures models (OECD/ADB, 2015). The lecture model in a lot of HEIs is a passive way of teaching, since students only listen to the lecturer. In many lectures there is no discussion held nor encouraged. This passive method of teaching may be triggered

by insufficient preparation by lecturers, and without a supportive academic atmosphere (OECD/ADB, 2015). The main cause that the lecturers have bad quality is lack of training for introducing new methods of teaching, meaning and effort to follow the recent development of knowledge related to their subject. These problems could have happened because most of them have little time or resources.

Based on the accreditation of study programmes databases, most HEIs in Indonesia have low quality especially the private ones (World Bank, 2014a; OECD/ADB, 2015). The data show that 64% of private HEI study programmes have C grade, 33% in B grade while only 3% in A grade (OECD/ADB, 2015). This condition means most students participated at low quality of HEIs as private HEIs serve twice as many students in total compared to the public HEI. The number only describes the tip of the iceberg, because almost half of the programmes at HEIs are unaccredited or now invalid (World Bank, 2014a). The reasons were that there was lack of budgeting from government to accreditation agencies (BAN-PT), leading them to only be able to accredit 2,200 programmes per year (OECD/ADB, 2015).

Using data from a labour survey by BPS in 2010, and their own survey in 2008, the World Bank (2014b) found that low quality training and a lack of students result in worker shortages in many sectors in Indonesia. There were also signs of oversupplying graduates from the education sector (idem). Many new graduates who become teachers were paid below 1.8 million rupiahs (idem), which is below the minimum wage required by law for factory workers (BPS, 2016). On the other hand, many firms in non-education services and manufacturing admitted their concerns over the difficulties in finding employees needed in professional positions (idem).

#### **2.4.5 Return for Higher Education**

BPS published a report on the average salary of the Indonesian workforce in August 2016, surveying 50,000 households in their workforce nationally (BPS, 2016). The survey shows how higher education graduates fare much better than other graduates in the term of salary received. Higher education graduates also show a trend in becoming less likely to be unemployed when compared to others (World

Bank, 2014b). After reaching the top in 2010, the unemployment rates for higher education graduates have deteriorated more rapidly in contrast with that of junior and senior secondary graduates (*idem*). It is important to mark that the unemployment rate of the workforce with primary education has slightly grown since 2010 (*idem*). This trend seems to show that there is a growing demand for labour with higher education degrees.

Sohn (2013) examined monetary and non-monetary returns to education in Indonesia using the 2000 and 2007 Indonesia Family Life Survey (IFLS). He found that, using the Mincerian earning function and applying the OLS technique, the higher attainment in education gives better rates of return in Indonesia, both on monetary and non-monetary return in the form of happiness. The reason for the higher return is that their results indicate the statistically robust and positive effect of higher education into earnings and happiness.

Dumauli (2015) also found the same result. She used the Mincerian equation with 2007 IFLS data, but only for the individual ages of 15-64. By Applying OLS, 2 steps Heckman and 2 SLS, she found that the years of education and level of education give a better return. However, she believed that the result was not valid due to endogeneity issues and unobserved family background. She introduced a household fixed effect that the rate of return of 10.8% was down to only 5%. She assumed that unobserved family background has a higher effect on the return of education than on education itself. She accounted that the low return of education happens because the low quality of education in Indonesia or family connections affect people in getting better jobs. As much as it is probably true in Indonesia, however, she did not account that in Indonesia, better households get a better quality and quantity of education. The affluent also have most of the government subsidies for education. Therefore, it is unfair to reduce all of the return to education based on household condition. However, there is one thing that emerged from this result: that in Indonesia, inequality in education is quite high and affects much of people's earnings from the low SES to the wealthy.

## **2.5 Inequality in Higher Education**

There was a successful rise of Indonesia's enrolment numbers in higher education over the last two decades (Jacob et al., 2017). As indicated before, education in

Indonesia, as based on law, is seen as a public good. However, the law gives the chance for private industries to provide education with the non-profit form.

Admission to any of the public HEIs in Indonesia is influenced by the availability of academic lecturers and facilities, as all except for *Universitas Terbuka* do not provide distance education. Therefore, the government budget affects access to public HEIs, which most of the time sits outside of their jurisdiction, as it is the only way to increase facilities and academic lecturers for most of them. This condition is probably why private institutions become more important as a provider of access to higher education in Indonesia.

Whereas enrolment increased from as low as 2.8 million prior to 2004 to 4.375 million during 2007-2008, and then rose to 5.8 million from 2012-2013 (MoRTHE, 2016), there remains a greater percentage of additional populations who are excluded from participating in tertiary education. Presently, HEIs are filled beyond rational capacity, and many qualified secondary graduates are denied registration, especially in public universities. A lack of lecturers, class facilities and budget means that public HEIs have to commence on highly strict admission procedures. Admission trends at public HEIs through Joint Selection for State Universities Admission (SNMPTN) provides a revelation of the accessibility challenges facing public universities in Indonesia. In 2007, the total number of applicants registered to participate in regular admission tests for public HEIs was 396,767, of which 98,503 (24.8%) were admitted to study in various programs (Redaksi, 2007). As competitive as that number is, it becomes even more competitive as applications grow in successive years. In 2012, for example, the total number of applicants was 618,804 (Antara, 2012). Out of this, only 17.1% (106,363) of applicants were admitted to learning in public HEIs. It is likely that some of the students may have been admitted into private tertiary institutions in the country, because in practice, students apply to private institutions after they are rejected for public HEIs. The data from social economic survey show how the number of participants from low economic SES in HEIs is very low, especially in private ones (World Bank, 2014a). The students from the richest household, while only accounting for 20% of the population, have about 40% participants in HEIs (idem). However, the public HEIs have a bigger percentage of their students from low SES than private HEIs (idem).



Moreover, in discussing participation and access issues, it is imperative to note that worldwide, higher education participation is becoming a leading national interest for all countries. While enrollment has amplified at the basic and secondary education levels to the universal level, similar tendencies have not been observed at the post-secondary levels. For example, secondary and tertiary GER for Indonesia were 70% and 17.4% in 2007, which increased to 82% and 31% in 2014, respectively (World Bank, 2014a). The number of drop out students has fallen, but a bigger percentage of them still do. The data from the Ministry of Education and Culture shows how the percentage of students from lower SES is much lower than high SES (*idem*). This illustrates how most students who drop out are likely to be from low SES backgrounds. However, the data also show that Indonesia has succeeded in raising its tertiary education enrolment rate, and also in increasing its participation of students from low socioeconomic status. However, the number of participation of students with lower economic status remains low. Indonesia is still unequal in its chances to obtain higher education.

### **2.5.1 Financial Aid for Low SES Students**

Indonesia has no student loan system for financing higher education. Most students in higher education are financed by their parents. In the 1980s Indonesia had already tried to implement a student loan system, but failed as the recovery rate was too low (Moeliodihardjo, 2014). Indonesia has a need-based scholarship scheme in the form of the *Bidik Misi* program. However, the numbers are low: in 5 years of the program just 240,000 students were financed by its scholarships (MoRTHE, 2016).

Post-financial crises, all public HEIs are given discretion for their SPP (tuition fee) level. Most public HEIs have a special entrance for students from high SES, called Mandiri path. This special entrance makes those high SES students who are not able to pass SNMPTN accepted by paying a compulsory 'donation' that is called an institution development donation or facility development donations (and other variations). Most of Indonesian citizens could not afford to earn a huge sum of money. The value asked by some public HEIs can be 155 million rupiahs (\$ 11,594) (Detik, 2012; Widiyanto, 2013). These conditions are objected to by many people and make public commotion, with many believing public HEIs have shunned the chance for low SES students to receive an education.

Indonesia introduced a new kind of tuition system for public higher education aimed to reduce inequality in 2013. However, most institutions implemented it in 2014. The program enabled students with lower economic status to pay low tuition fees and even free for some. The tuition fee system that was called a single tuition fee (UKT) also made public institutions unable to levy other fees to students. However, data from Social Economic Survey shows that the enrolment rate of students from the lower quintile decreased in 2015, meanwhile the highest one increased significantly (Zein, 2017). At the same time, from the data of BPS (2017), the number of students in private institutions decreased from 4,284,697 in 2014 to 4,235,845 in 2015. On the other hand, the number of students in public institutions increased from 2,168,555 to 2,349,755. It indicates that the UKT policy probably fails to help the students from low SES to have access to higher education.

### **2.5.2 Student Retention**

Zein (2016) reports that the number of drop out students in 2015 was 4.69% of HE's student population. She got the data from the Data and Information Centre of the Ministry of Research, Technology and Higher Education. The number was seen to be low; however, if the number is compared to the number of new students, it accounts for 24%. When the number of graduates is compared, it shows that for every three graduates there is one drop out student every year. This is not a low number and is significant because many researchers (for example Macrae and Maguire, 2002; Willcoxson et al., 2011; Chen, 2012, cited in Zein, 2016) found that low SES students are more likely to drop out.

## **2.6 Conclusion**

Indonesia has a constitution which underlines that adequate education is the right of every citizen. However, it is only mandatory for the government to pay for basic education based on sentence 2 of the same constitution. Sentence 2 was only added after the financial crisis in Indonesia. The ambiguity of this constitution makes the right to education with financing by the government only until junior secondary high school. There are many of Indonesian populations who have no right to education with 'donations' (tuition fees) as the barriers. These conditions show that adequate education has not yet become a right, yet for all citizens.

Before the financial crisis, the Constitution only noted that education was the right of every citizen. The subsidies given by the government were quite generous at that time. However, most schools asked for a compulsory 'donation' from every student, even though the sum most of the time is quite low. The number of students from low SES remained low, and the place provided by public and private were much lower than the current condition.

The financial crisis hit Indonesia in 1997, with the collapse of the New Order regime and the toppling of President Soeharto, resulted in Public HEIs being given the autonomy to fix their SPP (tuition fee) level. Besides that, they had the privilege to ask for an entrance 'donation'. The value was quite high for most Indonesian people. Despite the high level of donation, there were signs that the numbers of students from low SES are able to grow, yet the percentage remains quite low, particularly for 40% of the lowest quintile students, who are only able to attend higher education at the rate of 1 in every 10.

There is a saying in Indonesia: the low SES people are not destined for an education. Higher education in Indonesia for many people is unreachable. Indonesia does not have a good funding aid system for the low SES. Even though higher education in Indonesia serves a bad quality learning experience, the people still consider it is worth it to spend their time and money in higher education. Education, especially higher education, can become the ticket for many students from low SES to get out of poverty.

The UKT policy has to implement two contradictory objectives: to help HEIs in Indonesia to have competitive human capital in the global market but it keeps maintaining social justice at the same time. Chapter 3: Literature review below will present that there is contradiction between these two objectives.

## **Chapter 3 A Literature Review of Competencies and Social Justice**

### **3.1 Introduction**

Uang Kuliah Tunggal (UKT) policy indicates an attempt in Indonesia to implement both human capital for competitive advantage, and principles of social justice, within its higher education system. This chapter provides a review of theoretical underpinning of these objectives and how they operationalised in higher education policy. The competitive advantage of the human capital and social justice concept are introduced as a basis for a different conceptual model for what needs to be achieved in the implementation of UKT policy. This chapter also seeks to highlight the main topic emerging from the literature, which will be linked to an analysis of the research data collected during the course of this work.

### **3.2 The Human Capital Approach**

#### **3.2.1 Human Capital and Economic Growth**

As employed by the economist, the term 'capital' describes a classification of 'goods', which are called 'productive' because they possess the attribute of generating other goods<sup>4</sup>. Humans take their part as the labour factor, which must be linked with the 'capital' factor in order to commence the procedure whereby wealth is created. In contemplating the process of the creation of wealth, economists in the past have been focused on the issue of physical capital, based on the imbedded assumption that the labour needed to utilise that 'capital' would be available in the market at any moment, endowed with the skills for the task (Debeauvais, 1962). Highly skilled labours possess more productivity than unskilled labour, and that work by a trained labourer who has had more education attainment will produce more and better goods than work by an illiterate labourer is not accounted for within the traditional method of calculating economic growth. Hence, the capital invested to produce skilled 'human' capital does also not get much attention, and the human capital theory hasn't been utilised much in calculating economic growth pre-World War II (Debeauvais, 1962).

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<sup>4</sup> The concept of capital can be seen more clearly in Samuelson and Nordhaus (2010, p.33)

The economic concept for the funding of education in general is based on the assumption that individuals and societies assign resources in order to reap benefits (Debeauvais, 1962). These benefits can be for consumption and/or investment purposes. Education has features that means it can be regarded as either an investment or a good for consumption, or both. Education acts as consumption because it has benefits in the form of fulfilment of the basic drive for human beings to obtain knowledge. On the other hand, education is also investment by individuals and societies towards the advance and improvement of the skills and abilities that increase productivity which form human capital. Human capital as investment is more prominent and has provided the basis for policies in education, particularly the financing mechanisms in many countries (Becker, 2011).

The roots of human capital theory can be linked to the late economist Adam Smith. He devoted a big part of his book *The Wealth of Nations* (1776) to discussing the definition of labour, and the subject of human resources. He claimed that the knowledge and skills accrued by the labour force is an important factor for economic growth. By including human capital in his definition of capital, Smith argued that expenditures on education and training were equivalent to capital investment. He noted:

" .... the wages of labour vary with the easiness and cheapness, or the difficulty and expense of learning the business. When any expensive machine is erected, the extraordinary work to be performed by it before it is worn out, it must be expected, will replace the capital laid out upon it, with at least the ordinary profits. A man educated at the expense of much labour and time to any of those employments, which require extraordinary dexterity and skill, may be compared to one of those expensive machines. The work, which he learns to perform, it must be expected, over and above the usual wages of common labour, will replace to him the whole expense of his education, with at least the ordinary profits of an equally valuable capital. It must do this, too, in a reasonable time, regard being had to the very uncertain duration of human life, in the same manner as to the more certain duration of the machine" (Smith, 1776, 1977, p. 144-145).

In the contemporary world, human-capital theory has been brought forward and given attention for its connection to economic growth and economic development post-World War II, as focused on by Theodore Schultz (Debeauvais, 1962; Johnstone et al., 2006). From his earliest writings, Schultz highlighted the capacity of knowledge to incorporate technical advances: specifically in one's

competencies as a robust instrument for promoting and grasping the modernisation and development, beginning with agriculture and then underdeveloped economies (Johnstone et al., 2006). Schultz outlined a broad idea of human capital, including the contribution of health, nutrition, migration and education, which was connected to his focus on modernising economies, and his concerns with the misdistribution of resources (principally labour) (idem). He observed human capital to be anything that helps people to gain increasing productivity, but specifically as a pursuit that helps individuals to be conscious of new or better opportunities and capable of seizing them (idem).

According to Debeauvais (1962), the focus on studying the influence of human capital within economic development became very popular post-World War II in the United States, as an outcome of discovery of an unsolved margin in classical methods of assessing the rate of growth. In economics, studies on the US's long-range growth of national product has revealed that only a fraction of economic development in the United States can be clarified in terms of the traditional factors of production (capital, natural resources and labour). This has ushered in a pursuit for other factors of development yet left unaccounted for by many scholars. There are some influences of growth that have been recommended, including better institutions regarding individual companies and at the national level, technical advancement and the attainment of education and training. All these elements are held to promote growth, but the most important of these factors is education and training, as other factors are dependent on the latter (Schultz, 1961).

Schultz estimated that investment in education and training are the primary justification for the productive dominance of the 'technically advanced countries' (p.3). Thus, Schultz (1961, p.6) argued:

"the observed growth in productivity per unit of labor is simply a consequence of holding the unit of labor constant over time although in fact this unit of labor has been increasing as a result of a steadily growing amount of human capital per worker decades is their investment in population quality."

He also expressed the view that much help from donor organisations that offer investment in poor countries is not optimal and helpful for their own economic growth, as this investment is used for the formation of institutions, machinery,

tools and inventories only. Meanwhile, it ignores investment in the most fundamental aspects of economic growth: the human being. The economic perception that manpower in poorer countries can utilise the investment as effectively is incorrect, as countries in the global south make many of these investments obsolete and/or underutilized. He concludes that 'truly, the most distinctive feature of our economic system is the growth in human capital. Without it there would be only hard, manual work and poverty except for those who have income from property.' (p.16).

A few years later in *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*, Becker (1964, 1993) used a standard NPV model from corporate finance and combined with an optimising agent to formalise Adam Smith's human capital investment story. In this work, he also highlighted that the private returns of higher education are obvious while the social returns are not. Becker also evidenced through his work that ability plays a larger role in explaining differences in earnings for college graduates in comparison to high school graduates.

The prominence of the 'rate of return' on education was also established by Mincer (1974, cited in Psacharopoulos, 1981). His cross-sectional wage equation provided the empirical corollary to Becker's theory. The equations technique introduced by Mincer, correspondingly brings an explosion of literature on wage premia brought in by education (Psacharopoulos, 1981).

These thoughts established a human capital research agenda that holds powerful influence for scholars and policy makers concentrating on economic growth and development, labour, and education (Johnstone et al., 2006). In particular, these ideas play a big part in changing government expenditures related to education through an acknowledgment of the impact on the economy. From the 1960s onwards, references to education as investment and to its part in societal advancement - and not only its cultural and intellectual benefits - became indispensable for any policy document related to education. The 1960s were a historic time of change, and despite initial oppositions, most international organisations and development agencies came to embrace education as a vital aspect for economic growth (idem).

### 3.2.2 Widening Participation for Competitive Advantages

Many countries pay more attention to the importance of widening participation in higher education since the advent of human capital theory (Marginson, 2016a). The large growth in the percentage of the population with tertiary education started post-World War II. There is not much movement of the population aged 15-64 who have tertiary education pre-World War II, with the ratio only reaching 2.2 % in 1950. Between 1950 and 2010, Lee and Lee (2016) also reported that across the whole world, the participation rate was swollen from 2.2 % to 14.6 % with countries in the global north reaching 35.8 %. Since 2010, this percentage has continued to grow, as the data outlined by UNESCO regarding Gross Tertiary Enrolment Ratio (GTER) evidenced; in 2012, there were 54 countries - many of them middle-income countries - which had surpassed 50 %, with 14 countries even surpassing 75 %. In terms of regional numbers, the rate reached 50 % across North America, Eastern and Western Europe, much of Latin America, and East Asia (Marginson, 2016b). It remained low in Sub-Saharan Africa and South Asia, but the numbers in these regions came from a very low base too (Marginson, 2016b). The data shows a common affinity toward high participation systems (HPS) in higher education systems among most countries in the world post-World War II (Lee and Lee, 2016).

The concept of human capital has attained remarkable prominence in higher education worldwide ('Workplace competencies'). The trend for the implementation of 'a new teaching and learning paradigm' is based on competencies so to the degree that now theories regarding competency and skill control the development of higher education syllabuses around the world (Lozano et al., 2012). They also emphasise that in the past, undergraduate education was envisioned as offering students the general basics of a discipline; now, the growth and the influence of theories of human capital have transformed to 'a conception of higher education as a process which advances in people a capacity to update their knowledge continuously to adapt to the needs of their jobs and the market' (p.136). In addition, Lozano et al. (2012) also propose that many countries have a growing appreciation for higher education as an essential element for competitive assets in globalised economies as the main producer of human capital stocks.



The importance of human capital for competitive advantage can be seen in the work of Lester Thurow (1996). He argues that knowledge through skilled individuals offer the only 'long run sustainable competitive advantages' for any country. The competitive advantages based on natural resources, financial capital, unskilled labour, and technology become less important.

The importance of natural resources to the advantage of economic productions disappeared in the latter part of the twentieth century. The advancement of modern production technology, that puts the need for less natural resources to manufacture products such as computers, has only lowered the percentage of its costs from natural resources. In addition, modern transportation technology provides convenience for low transportation costs to move any natural resources from anywhere in the world to a production centre. The price of natural resources, after altering in line with general inflation, has already fallen around 60% from the mid-1970s to mid 1990s (Thurow, 1996, p. 67).

The availability of financial capital has also become less important. This condition is likely to come from the convenience of funds movement promoted by the development of world financial markets. Everyone can obtain financing through borrowing and/or investment from these places regardless of where they live. Thus, entrepreneurs from Thailand are not constrained by the domestic savings of Thailand to pursue investment or borrowing.

In addition, the technological advantage is important but cannot be tied to specific countries anymore. Reverse engineering, the fast dissemination of information, and multinational companies can easily produce products or services in any country in the world, and market them to the rest of the world. Skills and knowledge also easily move around the world but are slower than other factors. Training and education are not a short-term process, as it is the skilled labours that take more importance in the global competition. In short, a mixture of global competitive pressures and technological changes makes higher education as an investment in human competencies a more vital foundation for economic achievement than ever, for any country in the world.

### 3.2.3 The Problem of Subsidy from Government

The most comprehensive work on the quantification of the many benefits of higher education, with a specific emphasis on the public benefit value, is *The Private and Social Benefits of Higher Education: Higher Learning, Greater Good* (McMahon, 2009). McMahon builds his work from much scholarly data in this specific subject, to challenge the measurement and conceptual hurdles constituted by this task. He was doing statistical analysis both on cross section and time series data of the United States and many other countries, both from the South and the North. Through this method, McMahon (2009) evaluates the benefits produced by participation in higher education, including the social benefit externalities in many areas. He makes conclusions based on this work, that the sum of private benefits (both financial and non-financial benefits) of participation in higher education are almost similar in size to the public benefits from higher education. Thus, he puts forward that governments must participate and support the funding of higher education.

As scholars have suggested, there are many public benefits and positive externalities generated by higher education. Thus, it is expected that without the participation of the government in funding, market failure could happen (Toutkoushian and Paulsen, 2016). Many benefits are reaped by many members of society who do not directly participate in higher education while students do not consider these benefits when carrying out the transactions. Students only consider their net private benefits (marginal private benefit - marginal private cost), when determining whether or not. In the institution, they make decisions on the numbers of students and which one is to receive based on their net private benefits. The positive externalities and non-financial are overlooked by students and institutions at their consideration, yet these benefits are of important value and needed by society and the students themselves. Once the public benefits and non-financial benefits are introduced into the competitive higher education market model, it shows a situation where without intervention from the government, the market would provide higher education at lower rates than the socially optimal level. Thus, there is a need for the government to undertake the funding in order to make it socially optimal. However, there are problems in how the government allocates the subsidy.

There are two vital problems regarding the allocation of subsidy. The first problem is how to maintain the positive spill-over benefits for citizens that pay for the subsidy (Toutkoushian and Paulsen, 2016). In the era of globalisation, it is easy for people to move from one country to another. In this case, increased productivity and more tax to be collected would be enjoyed by the country where the students choose to reside. It is the case that most of the public benefits created by participation in higher education follow the student to wherever they reside. The subsidy itself is paid by citizens, but the fruit of these investments may not be enjoyed by them. It is unfair for taxpayers to pay for investments that do not benefit them (*idem*).

The second problem is the way the subsidy is allocated. There are two broad policy groups for the government to allocate the subsidy, which are by appropriation to institutions and by financial aid to students (Toutkoushian and Paulsen, 2016). The most used policy is by appropriation directly to institutions. The philosophy of this approach can be seen from how the appropriation to institutions would make the supply of places offered rise, and the lower prices encourage more students to participate and equality of citizens. The problem is that despite growths in financial support from the government over time, appropriations have been largely unsuccessful in keeping pace with the rise of education costs. Labour productivity does not increase in higher education as it is labour-intensive. As productivity can hardly rise, and as the costs of educational personnel become increasingly expensive, the costs of higher education increase faster than inflation rates (Archibald and Feldman, 2014 in Garritzmann, 2016). Fast technological changes increase the cost of HEIs as they need to keep up with the changes for maintaining knowledge and skills adaptation by graduates and academics (Sanyal and Johnstone, 2011). It is related to the rise of knowledge-based economies and societies. However, the main source as to why the HEI system needs huge funding is the need to expand access massively. The massive expansion because the popularisation of human capital theory and the number of higher school graduates has grown exponentially (Sanyal and Johnstone, 2011).

The government itself faces many difficulties regarding an increase in funding allocation. A good reason for increasing funding support from the government to HEIs, based on human capital theories, is that funding higher education is a long-

term investment in labour for positive externalities. However, in the democratic world where political parties mostly want to achieve immediate results for immediate political gains, it is not very tempting (Kwiek, 2015). This short-termism in choosing priorities for public funding allocation may have a negative impact on the need for a subsidy to catch up with the rising costs. There is also the introduction of new public management that has been presenting competition based on thinking adopted from business management regarding funding allocation (*idem*). The competition among different claimants to public funding has become intense since this public management reform was introduced around two to three decades ago (*idem*). The problem becomes more aggravated as the government faces financial austerity with the difficulty of revenue raising (Tanzi, 2011; Blyth, 2013; Streeck and Schäfer, 2013). The revenue problem comes as tax evasion becomes easier in competition for international mobile tax sources from high income individuals and companies in globalisation (*idem*). Political pressure for less government intervention and many economic research inquiries shows the negative impacts of high tax on income to economic growth also contribute (*idem*).

This slower increase in financial support from the government for higher education is becoming an obstacle for low socio-economic status (SES) students as they cannot afford the costs. As the appropriations only benefits public HEIs, it creates disparity in prices with private HEIs. With a big disparity, many students from higher SES choose to attend the flagship public HEI compared to the disadvantaged, crowded-out students who cannot compete (Fischer, 1990). The same problem also creates less funding for human capital investment and the less privileged pay to educate the privileged (*idem*). Evidence also suggests that public HEIs are allocating an increasing part of appropriations from the government for giving merit-based financial aid, rather than lowering the costs to make it affordable to low SES students (Rizzo and Ehrenberg, 2004). Thus, it can be argued that the appropriation model for public HEIs to lower costs to students is generally an ineffective and inefficient approach to widening access.

With costs rising, and funding support from governments unable to keep up, many HEIs will also face financial difficulties. The political responsibility of the state over the use of public funds results in an entanglement of bureaucratic processes,

stiffening universities on the tuition fee adjustment and often leading to redundant micro-management (Wissema, 2015). These conditions also limit HEIs in applying their own policies and in obtaining additional revenues beside tuition fees. These conditions also lead HE systems to become overcrowded and underfunded (the Economist, 2004, in Jongbloed, 2004). HEIs as a part of government institutions is also criticised over a lack of organisational efficiency and for wasting money (e.g., redundant micromanagement and unproductive staff). This in turn raises costs, as the higher education system does not have the need to economise because of a lack of market pressure (Wissema, 2015). It affects the quality of participants, which in turn negatively affects the positive externalities of investment in human capital and competitive advantages brought in by this investment. These cyclic conditions present more obstacles for increasing public funding in the long run.

In regards to the need for HEIs to work in a global market, they must compete for the best academics, students, and research funding (Bok, 2009; Wissema, 2015). HEIs that remain entangled by bureaucratic processes fail to compete in getting them. Thus, it can be argued that HEIs and government should be separated, allowing HEIs to run as independent bodies. This would suggest the end of direct appropriation of institutions to the state. As a result, HEIs would have autonomy in academical and non-academic management.

Within the direct subsidy system of investment in higher education, there is also a trade-off between efficiency and equity (Garcia-Penalosa and Walde, 2000). The efficiency of subsidy allocation enlarges inequality. Even though the low SES can afford the fee for higher education, opportunities for studying are limited and favour students with bigger resources. The ones who have better resources have a bigger chance of gaining in competition over these limited opportunities. As a result, low SES students are systematically excluded, and the allocation of subsidies from taxes are mainly enjoyed by the rich. Meanwhile, bigger subsidies can create equitable participation. However, it would result in a higher output of skilled workers and a lower output of unskilled workers than required by the economy, which means lower wages for skilled workers, with higher wages to unskilled workers. This overeducated labour implies higher costs for higher levels of education. Meanwhile, there would be a reduced aggregated output in a

generation, as the production would be higher if many of those educated do not forego their production for participation in higher education. It is a loss from the perspective of economical return in investment.

The second approach is financial aid to students. There are two kinds of financial aid: merit-based aid and need-based financial aid. Based on a marginal cost based analysis, it is inefficient to choose merit-based financial aid because most students who receive it would participate in higher education without the financial aid (Toutkoushian and Paulsen, 2016). It is an undesirable result as it means there is less funding invested in human capital, and less positive externalities can be extracted from limited funding that the government has in the era of austerity. In contrast, the proponents of high-tuition with need-based financial aid reasons that the best policy for encouraging participation in higher education behaviour among citizens is to provide more direct subsidies to those students who are less likely to be able to pay (Fischer, 1990). By using targeted subsidies, in theory the government needs to pay less costs, while a higher education system can produce more positive externalities (Toutkoushian and Shafiq, 2010). Even though the potential effectiveness of the high-tuition with a need-based aid approach looks promising in theory, scholars have noticed that thus far, some government's experiences with this kind of policy have exposed challenges in the efforts to implement and coordinate broad-based financial aid programs (Johnstone et al., 2006; Toutkoushian and Shafiq, 2010; Toutkoushian and Paulsen, 2016).

There are several reasons that create this disconnection between what is expected in theory and the result in practice. First, the appropriation requires less effort and cost to allocate the money, as it needs fewer procedures regarding the distribution of subsidies (Toutkoushian and Shafiq, 2010). In contrast, to implement a targeted subsidy program, the government body in charge would need more complicated procedures, and more targets for funding allocation (idem). The provision of need based grants is also difficult as "need" itself is a vague term (Johnstone, 2006). A family with the same income and the same number of people do not necessarily have the same financial capacity, as it also depends on many other factors. Huge resources (money and time) are required to appraise a large number of students' information, but it is also difficult to ascertain who qualifies for the aid and what 'need' constitutes. Thus, it is a very

costly procedure that can diminish the net benefit for the public from a targeted financial aid program (Toutkoushian and Paulsen, 2016).

There is also a political consideration that becomes an obstacle regarding the unpopularity of need-based grants for higher education (*idem*). According to the political behaviour model, politicians will behave in ways to appease the average or influential voter (Toutkoushian and Shafiq, 2010). Consequently, policies that deliver benefits to them tend to obtain more political support than the ones which are not. In higher education, appropriations benefited larger numbers of individuals and their families, whereas need-based grants programs would help a lower number of individuals. This means that need-based financial aid, which benefited less students, is more likely to encounter resistance from politicians and citizens. The political difficulties are also higher, as the targeted subsidies impact low SES students and their families that have less influence on politics as they are less active than high SES students and their family in political arenas (Toutkoushian and Paulsen, 2016).

In addition, public HEIs may have objections to the changing structure of financial support for higher education - away from them to students (Toutkoushian and Paulsen, 2016). Appropriations signify a generally steady source of revenue that benefits these institutions with financial budgeting, whereas substituting block grants with targeted aid to students would present more variability into their revenue streams (*idem*). As a result, public HEIs on the whole would be likely to use their political power to maintain the appropriation-based subsidy structure over a student financial aid-based subsidy program (*idem*).

### **3.2.4 The Need of Cost-Sharing**

The traditional aim of the higher education (HE) sector has been to provide education to an elite group of students (Archer et al., 2003). Fast technological progresses, economic theory, cultural changes, and the fast growth of second education graduates have pushed the need for more access to higher education. The demand for university education increased enormously in the last few decades (Barr, 2003; Johnstone, 2006). However, as the HE policy shifted from supporting an elitist system to one of mass participation, there has also been a global trend for the need to find new sources of funding beside tax based funding, which called

on cost-sharing in order to maintain the quality of education during the massive expansion of the HE system ( Barr and Crawford, 2005; Johnstone, 2006).

Professor Johnstone was Director of the University at Buffalo's International Comparative Higher Education Finance and Accessibility Project. The project was financed by the Ford Foundation, purposed to examine 'the worldwide shift in the burden of higher education costs from government and taxpayers to parents and students, and the policies of grants, loans and other governmental intervention designed to maintain higher educational accessibility in the face of the shift' (Johnstone, 2006, p.xi). In 2006, he published a book, *Financing Higher Education: Cost-sharing in International Perspective*, that is a compilation of the papers written from 2001-2005 that came from the project. Johnstone (2006) has interpreted cost-sharing in HE as an alteration in the responsibility of higher education expenses: from being shouldered exclusively or mainly by government with tax income to being shared with parents, students and donors. Johnstone (2006) classifies various methods of cost-sharing embraced in both developed and developing countries, summarized as:

- a) The implementation of tuition fee policies in the public higher education system (which was formerly free);
- b) Rapid surges in tuition fees in the public higher education system (where fees have already existed);
- c) The levy of charges to recover the costs of formerly subsidised accommodations and food;
- d) The reduction of scholarships or grants for students;
- e) An intensification in the student loans recovery initiative;
- f) Official backing to push for establishing private higher education institutions to absorb excess demand to participate in higher education;
- g) Create an enrolment and admissions policy that gives advantage to students that are able to pay;
- h) Maximising the number of students that pay tuition fees.

Tuition fees in public higher education are, as Johnstone (2006) claims, particularly essential when:



- a) There is a pressing necessity for additional income to advance quality and expand access;
- b) There are many difficulties for the government or taxpayer to increase or maintain funding levels for the public higher education system.

According to Johnstone (2006), the conventional justifications for the implementation of cost-sharing policies in the higher education system worldwide to promote equity are threefold:

1. Those who pay the costs are the ones who reap the benefits, as well as through the widening participation for those who had been left out of the cost-sharing scheme;
2. Systems and institutions will be more efficient;
3. The need for funding sources other than the government to maintain quality while widening participation.

The rationale for the first justifications is grounded on two propositions. First, the added funding, even with additional grants or bursaries, can inflate capacity: both for the classroom, facilities, living accommodation and lecturers, and thereby escalate participation. Second, the funding from the government can be used to finance those who need financial help and/or basic and secondary education for disadvantaged students to improve equity. The second rationale - the reasoning of institutional efficiency with the introduction of tuition fees - is believed to arrive as buyers or consumers (i.e., students and their parents) pay for the services. Becker and Toutkoushian (2013) propose that these conditions instil some merits of the market into higher education. In their defence of market superiority, their major justification is that tuition fees or other related higher education costs borne by students and their families make them more sensitive consumers, and at the same time drive universities to be more cost-conscious producers. The act that allows for the same amount of funding can accommodate more students in the higher education system and help equity.

Finally, advocates of the absolute need reasoning state that public higher education institutions must supplement their governmental revenue through cost-sharing, due to decreasing public funding available to these institutions - which at the same time is already overwhelmed by the pressure of escalated demand for

access to higher education (Johnstone, 2006). This pressure is a result of demographic growth as well as clamour to include non-traditional students and compounded by the swelling number of graduates from secondary school who are qualified and want to pursue higher education. The decline in public funding to finance higher education is partly due to competition with other socially and politically popular needs such as healthcare and pensions. The implementation of cost-sharing makes the system able to provide the same or even better quality of education that is especially important for non-traditional students. Non-traditional students with lower social and physical capital will incur more damages by participating in lower quality education. The knowledge and skills from qualified higher educational institutions are more important for them as tools for social mobility.

Milton Friedman, on the other hand, has contributed to the work that pushes for an applied loans system backed by government, as the ideal involvement of government in funding higher education (Eckwert and Zilcha, 2012). Friedman (1962, 2002) argues that the investment of human capital in higher education has been participated in primarily by students with high socio-economic status, due to the involvement of government in funding directly through public institutions. He claims that the act of government to finance the institutions creates competition, which is unfair for private universities and creates a hidden funding transfer from the low socio-economic status population to the higher status population. He also suggests what the government needs to do is intervene in the capital market to invest in human capital, by providing loans with government backing in order to fight inequality, chances to participate, and underinvestment in higher education. Friedman believes that this policy is able to fix imperfections in the capital market for investment in human capital that produces underinvestment in this sector. The imperfections that he states make 'a "non-competing" group sheltered from competition by the unavailability of the necessary capital to many able individuals' (p.107, 2002). He proposes that the act be appropriate for government in funding higher education, and that it:

Would do so not by impeding competition, destroying incentive, and dealing with symptoms, as would result from the outright redistribution of income, but by strengthening competition, making incentives effective, and eliminating the causes of inequality (p.107).

### 3.3 The Social Justice Approach

#### 3.3.1 Higher Education for Social Justice

The social justice approach is a demand-based approach, a theory focused on the fulfilment of the demand of education as a right for everyone. The right to education is based on ideas of social justice, which hold two major ideas: Rawls' primary social goods, and Sen's capability approach. Rawls (1971, 1982) maintains that governments do not have a duty when concerned with welfare equalisation; this is something that he reflects on as incommensurable across individuals. However, instead, he is more concerned with equalising "primary social goods". (Dar, 2014). Primary social goods are things that all persons must have access to, not dependant on who they are or what good idea they hold (Roemer, 1996). Rawls (1982) put forward primary goods as:

Basic liberties, including freedom of association, liberty, and so on, (b) freedom of movement and choice of occupation, (c) powers and prerogatives of offices and positions of responsibility, (d) income and wealth, and (e) the social bases of self-respect. This last is defined to be "those aspects of basic institutions that are normally essential if citizens are to have a lively sense of their own worth as moral persons and to be able to realise their highest-order interests and advance their ends with self-confidence (1982, p. 166)

Rawls (1971) argues that justice is achieved through difference principals of equalisation, with primary goods distributed across individuals; whereby the resources allocation needs to be focussed on worse off persons/groups to do the equalisation (Dar, 2014). Here, Rawls (1971) states that objection of welfare equality implemented by the government and, instead, sustains a reallocation of inputs in the form of ability to realise what an individual's own idea of welfare is. Although education is not explicitly on the list of categories of primary social goods, Hausman and McPherson (2006) make the case that education is relevant to the provision of almost all primary goods. McCowan (2012) and Schendel and McCowan (2016) further this, stating that access to higher education determines a person's ability to obtain every primary good stated by Rawls.

In regards to social justice in education, Sen (2009) put education for creating the path for humans to the path towards quality of life. Social justice itself is focused on the attitude that every determination should be made to ensure that any person or group can fairly access rights and rewards. The deprivation of

capabilities from education disadvantages people, and that disadvantage can be transmitted over time.

The purpose of higher education within the social justice approach is ‘a cultivation of the whole human being for the functions of citizenship and life generally’ (Nussbaum, 1997, p.9 cited in Lozano et al., 2012). Social justice approaches know that an ‘economic-utilitarian dimension’ cannot be ignored, but acknowledge the necessity to go beyond what is practical and economic (Lozano et al., 2012). In this kind of approach, the influential values of education should be considered under the widest purpose of endorsing a quality of life and a society which is both fair and efficient. Nussbaum says, ‘Our campuses are producing citizens, and this means that we must ask what a good citizen of the present day should be and should know’ (1997, p. 8 cited in Lozano et al., 2012).

For the social justice approach, the paragon of society is that people can have freedoms to choose the existence they have causes to value (Walker and Unterhalter, 2007). For social justice, a ‘decent life’ is a life in which a wide range of freedoms are accessible to choose from (Nussbaum, 2011). Based on Nussbaum’s viewpoint, education must educate people to have the function of living a reflective life; to be conscious of the society in which they reside; to grow a critical ability to appraise that society; and, to live a life that they have deliberately and thoughtfully chosen (Lozano et al., 2012). At the same time, education must cultivate people’s capacities to see themselves as connected to all human beings by bonds of appreciation and concern (Walker and Unterhalter, 2007). For Nussbaum (2002), this entails that a human should be:

Self-aware, self-governing, and capable of recognizing and respecting the humanity of all our fellow human beings, no matter where they are born, no matter what social class they inhabit, no matter what their gender or ethnic origin.

According to Sen’s (2009) perspective, the importance of education is the effect on the expansion of human freedoms (Lozano et al., 2012). The focus is on freedom as a core value of education. This freedom is not only a goal (for freedom expansion) but also as the instrument used to realise the goal. For Sen, the effort is not on the outcomes that a person accomplishes but on the fact of having options for a choice, action, or behaviour (Dar, 2014). Social justice approaches

to higher education therefore respond to a person's internal demands for liberty in choosing his or her life path (Lozano et al., 2012).

For Sen, agency is 'what the person is free to do and achieve in pursuit of whatever goals or values he or she regards as important' (Sen, 1985). So, as Alkire notes, 'people who enjoy high levels of agency are engaged in actions that are congruent with their values' (Alkire, 2008, p.3). The individual's reasons and motivation for acting are essential. However, Sen also notes the idea of agency as the ability to cause transformation and social change as an indispensable part of his proposal. Explicitly, Sen says, 'I am using the term of agent as someone who acts and brings about change' (Sen, 1999, p.19, cited in Lozano et al., 2012). Furthermore, he states:

The people have to be seen . . . as being actively involved—given the opportunity—in shaping their own destiny, and not just as passive recipients of the fruits of cunning development programs' (Sen, 1999, p. 53, cited in Alkire, 2008).

As is clear, the inferences for higher education are noteworthy, since the appropriate objective here is not to bring into line education regarding 'what society is', but to place it toward 'what society should be' (Lozano et al., 2012). In this regard, the main principles needed to adhere to are equity, participation and freedom.

### **3.3.2 The Contradiction with the Competitive Human Capital Approach**

Many scholars present the criticism that higher rates of participation are creating inequities, if and when participation in higher education for economic value (Archer et al., 2003; Archer, 2007; Marginson, 2016; Rosinger et al., 2016; Slaughter and Taylor, 2016). The economic value forms knowledge holds brands based on what to learn and where to learn. Some disciplines boast higher status within HEIs because in the job market they attract higher earnings that translate to better social status, such as Medicine, Law, Finance, Dentistry and Engineering. Still, the main distinctions are centred on institutional 'brands' in the 'field'.

A 'field' consists of institutions that face shared constraints and opportunities (Slaughter and Taylor, 2016b). Field participants characteristically share discernments regarding how resources are distributed and who retains prestige

within the field (*idem*). Moreover, even though such hierarchies are contestable in theory, field members are inclined to consent to the *de facto* realism of stratification on prestige (brands). However, the universities that have a large amount of prestige have already accumulated great wealth, political power and branding that gives them an advantage to maintain their superior identity. This wealth (branding also helps) makes them attractive to many qualified lecturers and researchers. The political power and branding also gives them an advantage in getting subsidies and/or donations from the government, as well as donors that offer the ability to provide better resources for research. All of these advantages bring the institutions even more prestige, leading to a cycle of further accumulation that brings more wealth and political power.

This wealth also gives them the ability to provide the varieties of academic programs and services students that are perceived to be attractive, while preserving tuition as a relative constant, as they can complement tuition earnings with investment returns (Rosinger et al., 2016). As they increase their abilities to attract students, entrance selection becomes more competitive. In the end, they will continually win in the race to entice tuition-paying students.

Repeated accomplishments shape the choices of future students, as present ones make contributions to institutions' "academic resources". These contributions range from graduate average incomes and standardised test scores that bring value to brands, and "peer effects" that improve another students' learning. We expect that these advantages accrue over time. In other words, triumph in competition produces accumulation, which prophecies success in future competitions, guiding to a cycle of further accumulation.

As Pierre Bourdieu identifies, the field in higher education is divided between 'elite' and 'open' HEIs, or 'highly selective' and 'non selective' HEIs (Geiger, 2014, cited in Marginson, 2016). There are also institutions in the middle, in which both brands of assessment are present. Because the magnitude and creation of the elite group has many limitations, as participation escalates, the quantity of places with lower value and less barriers grows faster. A place in a prestigious higher education institution is a 'scarce positional good': when one individual acquires that place, another is left out. Particularly as a place that is usually

allocated based on educational outcome or meritocracy (Archer, 2007; Burke, 2013).

The foundational principle of justice based on equality under meritocracy is that resources in higher education should be allocated to individuals based on the potential to benefit in fair competition; irrespective of their social background, which is the basis for merit allocation (Burke, 2013). Meritocracy is founded on the assumption that all individuals who give full effort, and have the preconditioned ability and potential, can be successful within a democratic and fair system (Young, 1961 cited in Burke, 2013). Thus, the concept of meritocracy does not acknowledge the advantage held by individuals that are acquired from the lottery of whom they are born from. Birth rights that provide cultural, economic, and social capital can be used for 'winning the game' of said 'fair' academic outcome competition (Archer, 2007; Furlong and Cartmel, 2009).

A rejection of the social justice concept based on competitive needs is evidenced in critique put forward by Hayek (1976):

'Social justice' can be given a meaning only in a directed or 'command' economy (such as an army) in which the individuals are ordered what to do; and any particular conception of 'social justice' could be realized only in such a centrally directed system. It presupposes that people are guided by specific directions and not by rules of just individual conduct. Indeed, no system of rules of just individual conduct, and therefore no free action of the individuals, could produce results satisfying any principle of distributive justice. (Mirage of social justice 1976, p.69).

This critique shows that the social justice concept cannot be applied to reach the goal of competitive advantage. It is because the concept does not possess the individual freedom component of competition, thus belittling the competition itself. Becker and Toutkoushian (2013) put forward that competition within the higher education system is needed to:

1. Maintain differentiation within the higher education market regarding targeted students, to keep the supply of places in line with demand, while providing a price structure that satisfies the capability and the needs of students;

2. Keep innovation alive despite tight competition over elite students by elite HEIs.

From the competitive advantage perspective, non-discriminatory competition for places in higher education place the attributes that directly relate to performances on the academic abilities that can be used for judging. Based on libertarian values, it is considered immoral to include outside attributes; based on Nozick (1974), it requires victimised and individualised ideas of entitlement for the benefit of other individuals - or what Friedman (1962) called the violation of political and economic freedom (Brighouse, 2004). Ideas of political and economic freedom based on Friedman's work are very important when promoting economic growth based on competitive capitalism (idem). Thus, as part of the competitive concept, in making higher education hold better value for economic growth, it is needed to maximise the allocation of reward to the best talent. This idea of justice is called libertarian justice, or I prefer to use this argument as equality under meritocracy to make it different with concept equality of opportunity in social justice approach.

The writings of Bourdieu have been examined and advanced, in order to make available a valuable conceptual framework, to obtain insight on injustice for selection of the best talent (Archer et al., 2003). The privileged and the disadvantaged families face big disparities in access to various forms of capitals (cultural, economic, and social). These capitals set settings of the choices on educational matters of students. Privileged parents can bequeath cultural capital like language, knowledge and culture, that acts as guidance for making decisions and taking action, in enabling their children to be successful within the education system (Weis, 2016). Disadvantaged families have less economic capital, that acts as a constraint, and lack social networks (social capital) that dampen encouragement in accessing elite HEIs (Reay et al., 2001; Bathmaker et al., 2016). Thus, social stratifications are converted into academic stratification (Bourdieu and Passeron, 1977, cited in Archer et al., 2003).

A lack of care puts the problem onto the individual, with stigma surrounding the lack in aspiration and ability (Burke, 2013; Gale and Hodge, 2014). In such a context, associated attendance at higher education institutions functions relatively impeccably in reproducing class (Weis, 2016). The preservation of class



status becomes reliant upon knowledge and the resources of parents. Thus, elite HEIs do not act as social institutions but as producers of brands for knowledge; and degrees from these institutions can be compared to branded luxurious goods, as acknowledgement of social status.

### **3.3.3 The Objection to Private Funding and Commercialisation**

The root cause of how the social justice approach rejects the need for private funding lies mostly in the commercialisation (Tilak, 2008; Carnoy et al., 2014). The need to introduce self-funding by students to pursue the maximisation of investment in higher education brings forward the higher education system with the market as regulator (idem). The influence of the market in higher education puts forward the need for visibility or ‘branding’. Even though HEIs act as non-profit organisations, the need for visibility creates pressure for the maximization of funding acquisition. HEIs are thus forced to become ‘entrepreneurial’ institutions (Olssen and Peters, 2005).

Direct cost on education also puts students as consumers. People tend to treat education as ‘a form of exchange value’ when they act as consumers of education (Labaree, 1997). Higher education is seen as providing students with a useful credential of competencies that are needed in the job market. The value of education is extrinsic, as the primary goal is to trade one's education for a job. Jobs are likely to be distributed to a significant extent based on the ‘brands’ of degrees and educational attainment that candidates possess. It is the easiest way for employers to get an idea of the potential of candidates (Spence, 1973). Exchange value is controlled by market forces as that of any other goods, while the scarcity of a particular degree is relative to the demand for that degree among employers (Labaree, 1997). As a result, degrees come to take on a life of their own: they function as brands of knowledge and determine the value that they later hold.

A problem arises from the moment ‘brands’ of degree are pursued by students, which is that the knowledge itself becomes less important and valuable. When students and HEIs understand education through the lens of economic value, they quickly come to the assumption that what matters most is not the knowledge but the symbolic value of their education as capital. Grades and rankings become the

main objective to be pursued. Students focus to get the best grades possible, and the best degrees by pursuing how to beat the test. The process that may not always involve a stronger pursuit of knowledge but may also involve something like the knowledge of strategy, to beat the test by participation in shadow education and choose studies that are seen as 'easier' for obtaining a good grade. The emphasis on learning is on the form over the content, as the higher education system becomes a place in which students learn to prioritise 'good grades' over the pursuit of intellectual expansion and curiosity.

At the institution level, the introduction of competition within the higher education system puts forward concerns over 'institutional competition and survival potentially at odds with more traditional social justice motivations' (Archer et al., 2003, p.195). HEIs are turned into business entities, with the need to apply business methods to their management for survival in the regulated market (Bok, 2009). In this competitive state, HEIs share one distinctive character 'with compulsive gamblers and exiled royalty: there is never enough money to satisfy their desires' (idem, p.9). Academics and students are pushed into the rat race for developing new interests and ambitions, such as the constant pressure for published books and journals, and the need for constantly updated technology and scientific instruments. Underfunding does not merely happen as the government has less funding. It is a chronic condition of HEIs in the state of competition.

The competition between HEIs exists mainly in regards to academic prestige (Marginson, 2016b). The introduction of competition within the higher education system transforms elite universities into global business entities that compete based on global visibility (Kauppinen et al., 2016). They can find this prestige in the membership of top universities published by rating institutions such as Times Higher Education Ranking and QS World University Ranking. Although these ratings are notoriously unreliable for judging the quality of education provided, they continue to act as powerful influence on the masses for judging academic quality (Amsler and Bolsmann, 2012). The influence of 'world-class' status is a constraint for wider public criticism of unscrupulous behaviour on revenue acquisition and exclusion in the name of 'excellence' education, particularly by shifting the

criticism away from education as a human right, by making them act as competitive advantage in international competition (idem).

The effect of underfunding not only affects the orientation of HEIs themselves, but also the education they provide (Bok, 2009). HEIs can choose to focus on the activities that are convenient in receiving a good ranking. After all, if the key is 'exchange value', then it makes sense to put in the effort to obtain the maximum number of signals for the minimum investment of funds, intellectual energy, and time. The ratings themselves failed to judge the quality of education directly, but they are rather used as proxies. The main indicators used are the research productivity (Kauppinen et al., 2016). Thus, teaching is neglected over research in many universities all over the world (Bok, 2009). The rewards for excellent research in reputation far exceeds those available for excellent teaching. Successful researchers receive abundant appreciation, prizes, awards, and universities have higher scores with 'world-class' status. In contrast, the successful teachers are not much valued by HEIs, as without good research they are unable to offer academic prestige. The funding and rewards are prioritised over the impact of academic staff on academic prestige of the institutions, rather than the students. HEIs reflect this, placing ranking over the need for the dissemination of knowledge.

The ranking as an inevitable side effect of competition in the global higher education system does not put forward students as the primary focus, while HEIs act as 'branding' factories (Amsler and Bolsmann, 2012). Many students are not given the satisfaction of other students as the main criteria for choosing which college or university that they want to attend. Students from privileged families choose HEIs that have better prestige and are able to offer social status (Weis, 2016). The disadvantaged students put forward costs and ease of access as the main criteria (Callender and Jackson, 2008; Burke, 2013; Bathmaker et al., 2016). In this way, the other main criteria for ranking are based on the satisfaction of customers from the industry and commercial world and will always be advantageous to universities that already have prestige status. Students from privileged families can use their cultural, social, and economic capital to achieve maximum success in the labour market (Archer et al., 2003). The value of competencies from prestige HEIs remains unanswered. Is the value from any good

education delivery or from admitted elite students who have good capitals (cultural, social and economic) and the 'knowledge branding'? No irrefutable proof can be offered to show that the success or competence of the graduate from elite institutions comes from academic staff with better teaching quality than the ones who work in HEIs for the masses. The elite HEIs would not accept the good teacher without good research results, but the bad teacher with good research results would be accepted with open arms (Bok, 2009). The endless needs of more funding that are brought in by the good ratings eroded the values of the duty to educate, as it is overwhelmed by the need for 'knowledge' branding.

Intent on amassing funding to increase the reputation and size of the institution for survival, campus administrators are continually forced to use the methods of the marketplace in the field of higher education (Bok, 2009). The attention, facility and remuneration provided also make a difference. The activities that have helped to provide visibility for HEIs, and/or bigger revenues, are prioritised. The building and facility of business schools or even the sports building would be much better than buildings and facilities for liberal arts disciplines. The world of industry and commerce affects the curriculum, and the overgrowth of undergraduate degrees in business, law and computer science. The generous remuneration offered to professors of economics and management can make professors in literature and philosophy feel undervalued and outdated. Commercialisation as the efforts within the HEI for creating research, teaching, and other campus activities as source of money is intensified (idem). Harvard in 1905 could hire a 26-year-old coach for their football team with the salary of their president and twice of their professor (idem). HEIs not only sell the advertising on the uniform of their sports team but also advertise on their urinals in the men's changing rooms (idem).

HEIs lose their position as social institutions that put forward the needs of society above the need of institutions in a market oriented higher education system (Tilak, 2008; Bok, 2009; Furlong and Cartmel, 2009; Carnoy et al., 2014). One of them is the focus of attention on the STEM (Science, Technology, Engineering and Medicine) discipline (Tilak, 2008; Furlong and Cartmel, 2009; Taylor et al., 2016). They are the discipline that can not only bring more visibility but can also act as a cash machine, making and more in line with competencies that are needed as a

source of economic competitiveness and growth (Evans, 1995; Tilak, 2008; Furlong and Cartmel, 2009; Marginson, 2016b). Humanities related disciplines such as philosophy, history and sociology do not bring much visibility compared to STEM disciplines, as they have less utilisation in industry, less prestigious journals, and the result of research less valued by the masses and the media (Evans, 1995; Tilak, 2008; Taylor et al., 2016; Walker, 2016). People are less willing to pay higher sums of money as the return for the competence in this discipline is generally not high (Walker, 2016). The commercialisation of the STEM subjects is also easier, as many of their research products are in need by the commercial sector (Taylor et al., 2016). HEIs can sell the scientific patents in discoveries from STEM disciplines to industry, and find companies eager to pay big money for ‘reputable’ professors from these disciplines as consultants or to deliver special courses for their employees (Bok, 2009; Taylor et al., 2016).

In HEIs with business management methods, the liberal arts disciplines need to be ostracised, and can have much less importance than the profitable sport team or other profitable activities (Bok, 2009; Taylor et al., 2016). Most of the time, research from the humanities discipline cannot be sold, as they have no commercial value even though they have good social values (Evans, 1995; Tilak, 2008). The competence of graduates from liberal arts disciplines do not have much worth in commercial value, but in the social values have the same or better function (Tilak, 2008; Walker, 2016). Both the HEIs and students would try to be accommodating to ‘what the world is’, and lose their identities as agents of social change that act based on ‘what the world should be’ (Lozano et al., 2012).

### **3.4 Evidence in Global South Countries**

In developing economies, the implementation of cost-sharing policies faces more technical and institutional difficulties than it does in developed economies for making participation in higher education conform to social justices. The most crucial challenges confronted by developing countries in the adoption of equitable cost-sharing policy include:

- (1) Low institutional and economic capacity;
- (2) Limited access and quality gap within the higher education system.

### 3.4.1 Low Institutional and Economic Capacity

In a literature study concerning cost-sharing, Johnstone and Marcucci (2010) suggest that low institutional and economic capacity is the main obstacle for developing nations in pursuing a cost-sharing policy, including the adoption of need-based grants or loans. They argue that developing countries are unable to create organisations that have the ability to identify means, develop and evaluate policy correctly, and operate the programs without political interference for applications of means-based grants or loans, to reduce inequality. The weakness in this aspect becomes worse for rates of inequality, with the inability of the government to provide loans and grants for all who have qualifications and are willing to participate in the higher education. Implementation of income contingencies loans or other loans systems. These also cost the government more than direct subsidies, as developing countries have not yet developed institutional capacity to collect on the loans. The rate of default will be high and limit the sustainability of the system.

A case study by Wangenge-Ouma (2012) on the adoption of cost-sharing in South Africa shows how a policy is blamed for problems with inequality in higher education, and creates debates about the need to implement free higher education. In the study he presents that the National Student Financial Aid Scheme (NSFAS) are unable to provide enough funds, both in terms of quantity and quality. Fund allocation data in 2008 shows that the institutions have not managed to allocate money to pay the full expenses of study, with the highest only covering 50% of the costs. Furthermore, 48% of beneficiaries did not finish their studies. Wangenge-Ouma (2012) concludes that NSFAS were unable to 'provide sufficient student loan funds to fully meet the needs of all qualified and deserving students,' which 'consequently failed to assure equitable access to university education, hence the calls for free higher education' (p. 842).

One study by Liu (2012) presents how cost-sharing has augmented the prospects for all social groups with the expansion effect; however, the tuition fees have become a problem. High fees cause barriers for many disadvantaged families, because their income is unable to cover needs. He gives one example, where in

2007, “the per capita net income of rural residents was about 3586 yuan, while the tuition in public institutions ranged from 4,500 to 19,000’ (p.653). A study conducted in 65 Chinese higher education institutions displays that the percentage of students in need of funding aid was more than 23%, but the record shows that the proportion of students getting aid was never higher than 15% from 1999 to 2008 (Shen and Ji, 2009, cited in Liu, 2013). The provider of students’ loans in China is Commercial Bank; they have the preference to provide loans for students participating at elite universities, where the record shows 3 times more loans provided than to students from non-elite universities.

Odebero et al. (2007) identify that the government of Kenya has created the Higher Education Loans Board (HELB) with guidelines for loan provision to students, while highlighting that financing is dependent on the level of need for students. They study the correlational model of the equity level in the distribution of loans to provide evidence on how compliant HLEB is in executing the guidelines. Purposive sampling method was engaged for selecting one urban and one rural public university, and also one rural with one urban private university. 626 loan recipients with 147 non-recipients were the source of data. Hypotheses were tested at 0.05 level of significance using t-tests and ANOVA. Results reveal that there is a statistically significant difference between HELB loan disbursements and students’ socio-economic status. HLEB gives more loans to those who do not need it. It is not a surprising result, as Munene and Otieno (2008) state that many empirical studies and reports advise how in some cases needy students are rejected for loans, while those who can afford to pay themselves are accepted to Kenyan universities. They quote a female student at one university, who confesses that the loan she receives is just “pocket money”, as her parents paid all of the fees, and recognises that, ‘the more lies you tell the higher your chances of getting a loan from HELB’ (p.471). Mwiria and Ngethe (2003, cited in Munene and Otieno, 2008) also note that 25% of awardees falsify data regarding the income status, employment and education of their parents. Munene and Otieno (2008) allege the HELB has no viable mechanism to determine which students genuinely need loans, and that traditional students have been able to exploit weaknesses in the scheme to get loans.

The results in all of these countries is not different with the World Bank's findings in 1991, when 24 student loan programs were reviewed for development in developing countries, which showed that they have high administrative costs, high default rates, and the need for heavily subsidised interest rates to minimise the number of loans provided (Albrecht and Ziderman, 1991; Ziderman, 2004). The costs are so expensive that they even suggest that for many developing countries, it would have been more economical to provide direct subsidies than loans. Low recovery problems in developing countries are caused by low salaries combined with the high costs of capital, not fully functioning administrative systems, and unstable or only partially democratic political systems (Albrecht and Ziderman, 1991; Ziderman, 2004). They conclude that student loans are not working in developing countries as, 'in general deferred cost recovery can help reduce government burdens but only where institutional capacity exists' (see Abstract).

The application of direct appropriation to HEIs is not simple in developing countries. McMahon (1988) suggests that the low institutional capabilities of governments to maximise tax and revenue potential hinders the ability of government to provide sufficient subsidies for higher education. The same problem is also suggested by Johnstone (2006), with added emphasis on how most people work in informal sectors where they have not reported or unreported most of their incomes in developing countries. Tax avoidance is quite important for the survival of informal economic activities, as Gerxhani (2004) reports in her literature survey on 'the informal sector in developed and less developed countries'. The conditions that turn tax income to GDP in developing countries is low and affects funding for most government services (ibid). The low economic capacities that make subsidies for higher education are usually not enough to cover all needs. In this case, any subsidy of higher education and education below it is primarily allocated for the funding only of the most capable students.

### **3.4.2 Limited Access and the Quality Gap within Higher Education System**

The lack of access and quality gap within the higher education system has been a concern in much literature on cost-sharing and widening participation. In the context of global south countries, many low-income students have no access to higher education institutions, and even if they have access most of the time it is



low quality. The problems that mean that students from low SES cannot participate in higher education may also stem from the fact that education policies in developing economies are more concerned with the pressures to provide higher education institutions in urban areas, or to let private institutions be the main provider without power or willingness to inspect the quality. This situation eventually causes students from low SES to have less of a chance to participate, and even if they do they are enrolled in low quality higher education institutions.

Students from high income families dominate universities, while public funding policy operates to exacerbate such inequalities by providing more funding in urban areas, and merit based admission for a free tuition fee scheme (Wangenge-Ouma, 2012; Atuahene and Owusu-Ansah, 2013; Neves, 2015; Schwartzman et al., 2015). Instead of supplying funding for disadvantaged students, government policy punishes non-traditional students for not performing well enough, while giving them inadequate schooling. At the same time, it rewards traditional students who had access to the best schooling, thereby preserving inequality. The case of Ghana clearly reflects this, wherein high income students attend elite secondary schools with good facilities in urban areas; meanwhile students from low socio-economic backgrounds attend high schools with substandard facilities (Atuahene and Owusu-Ansah, 2013). The number of secondary schools in rural areas where disadvantaged students mostly reside are not only under-resourced, but access to higher education is solely based on merit and only available in urban areas (Atuahene and Owusu-Ansah, 2013).

Based on a review of data from many studies on education performance in South Africa, Wangenge-Ouma (2012) reports that the main problem of inequality of participation in higher education is because of the 'country having high levels of differentials in performance between high and low socio-economic status group' (p.840). He argues that it is because the differences in educational quality provided by schools that serve education to high and low socio-economic status groups are also for urban and rural areas. He maintains that schools attended by the poor generally lack a proper educational infrastructure, have high pupil teacher ratios, and many of their educators are likely to be less capable. This situation makes many unable to participate with barriers in admission, and when

they are able to pass, the lack of academic foundation makes it difficult to cope with the academic rigour in higher education.

The Indian government grants public HEIs the ability to collect tuition fees, but limits the numbers, and in some states even the fees are collected by private institutions regulated (Joshi, 2015). These conditions lead many public institutions to face austerity in funding, and oversupply places in low cost studies such as social sciences and languages (Joshi, 2015). This oversupply constructs a high percentage of unemployment to hold positive correlation with educational attainment, especially for graduates of higher education with low socio-economic status (Joshi, 2015).

Neves (2015) shows figures and data in Brazil that students with low socio-economic status who participate in secondary schools encounter multiple injustices in an endeavour to access higher education. Due to low quality schooling, most of them are not able to attain degrees; the ones who do attain, do not often succeed in participating in free public higher education institutions (HEIs) as there is fierce competition over the admission test, and financial barriers to participating in private universities. There is affirmative action that leads them to have free access to private institutions; however, this condition also places graduates at a disadvantage in the labour market, with such low quality of education provided.

### **3.5 Focus of the Study**

In 2013, Indonesian government introduced a new tuition fee scheme that discriminates based on a student's socio-economic status. Only a few universities applied such a system, for example, the University of the Philippines. The policy with different modifications is also used in Chile, Ontario, and South Africa.

Literature that examines the impact of the policy related to the contradiction between competitive human capital and social justice issues within public higher education in Indonesia is difficult to find. The UKT policy is quite a controversial issue in Indonesia. There are many critics of its application on helping public HEIs produce competitive human capital and maintain social justice values in the

higher education system. However, there is no research examining the implementation of the policy.

Methodologically, this study aims to evaluate competitiveness and social justice issues because it was designed to explore the process of new innovations in cost-sharing policies in Indonesia, in order to fight underinvestment in human capital production, while promoting equality of opportunity for participation in higher education. This duality is required to understand how the interplay between the objective in context and the actors inside higher education institutions shape the nature of the policy, and how it is implemented in public higher education institutions. Beyond this, the study was also designed to respond to the call for a better understanding of the viability of this innovative cost-sharing policy to make participation at the level of higher education more equitable. Moreover, this study is designed to test the impact of this policy for actors in public higher education institutions who prefer to maximise the social justice or human capital aspect. Finally, the position of the study is to reduce the gap between what is known and what is not known about financial practices in the public higher education system within one of the emerging economies in the world, i.e., Indonesia.

### 3.6 Summary

There is an agonizing *trade-off* between the *size* of a nation's output and the degree of *equality* with which that output is distributed. European-style policies designed to divide the proverbial economic pie more equally inadvertently can cause the size of the pie to shrink. American-style arrangements that promote maximal efficiency and output may permit or even breed huge inequalities and poverty. (Baumol and Blinder, 2011, p. 7)

Whilst identifying there are conflicts between the concept of social justice and competitiveness, this literature review also found that many countries used both of these objectives as the driver for policy related to the higher education system. Although extensive research has been carried out on investigating the social justice and human capital competitiveness issue in higher education, in my knowledge no single study exists which examines the tension between both objectives in higher education institutions. It could be challenging to observe the research about the implementation of cost-sharing policy with a bottom-up approach.

This theoretical review indicated a 'prescription' that would provide rules or action that have particular effects on achieving the objectives of the UKT policy. It also shows that the implementation of cost-sharing policies in the higher education sector in global south countries remains problematic. The literature review enables me to identify which rules or actions were used in the policy and connected the findings with theory.

## Chapter 4 Research Design

### 4.1 Introduction

This chapter outlines the research design used to explore how public HEIs implement a new funding policy with social justice and economic objectives. It starts by explaining the rationale for selecting the methodology and is followed by the research design and approach which informed this. The chapter moves to a detailed description of the case study design, which includes data gathering tools and the procedures for completion of each stage of the study. The last section presents a short summary of this chapter.

This study explores how the process of implementing the Uang Kuliah Tunggal (UKT) policy impacted funding in public HEIs, which affect policies and practices related to human capital and equity. The previous chapter reviewed literature that outlined the trend for governments to shift the funding of higher education from general taxation to individuals, in response to the increased funding needs of higher education expansion. Furthermore, we saw how in turn this created a need for intervention policies designed to reduce negative impact on equity in the impact of the shift (Johnstone, 2006). However, it is not easy to create the intervention policy. There is a paradox in the nature of cost-sharing for equity, as the tuition fee can be a big barrier for many individuals (especially students from low SES backgrounds) to participate; whereas without tuition fee policy, there is a shortage in the number or the quality of places available, especially for students from low SES backgrounds. Both these conditions have the potential to entrench equity problems and more drastically turn higher education into a deeper site of inequality. Therefore, as Johnstone (2006) argues, the power of cost-sharing in determining the life chances of individuals to participate, and in influencing funding needs, mean that they can be a strong barrier or tools for equity in participation. In turn, Hauptman (2007) observed that the conflicting nature in cost-sharing creates the need for 'innovative' funding approaches to accommodate the need of funding and the need for equity.

At an institutional level, the dilemma of implementing the 'right' intervention policy also arises because of the tension between the need for human capital with the need for equity. Students from high SES backgrounds not only have a better

ability to get funding so they have no financial barriers in tuition fee enactment, but also less costs needed as they have better preparation for participating 'properly' because they not only have better funding capital, but also better social and cultural capital. These students also offer more prestige for the institutions' status, which is also a means to attract more funding. They are the "ideal" students in terms of the funding of human capital. Hauptman (2007) identifies, in a chapter of International Handbook of Higher Educations, the importance of the livelihoods of the people in charge of the institutions. However, recruiting students based on funding needs only is not the right decision economically, ethically and politically for any higher education system globally. As public and education institutions, they must act as social change agents. Public HEIs must recruit students from lower SES that are unable to pay tuition fees, but also less prepared to participate in higher education. While doing this, pressure from the government and citizens also makes them also recruit more students and compete to reach high positions in the world university ranking. These actions inflate the cost while lessening the revenue. At the same time with difficulty in raising tax revenue and striving with other popular policies about limited funding, the public HEIs receive less funding from the government. Public higher education institutions must juggle their need for funding with their need for equity in more practical forms of delivering policies created by policymakers, with the pressures of the political powers of citizens.

A range of research inquiries show that the dilemmas in policy makers and students over a cost-sharing policy but has not been much investigation into the dilemmas of "street level bureaucrat" (an actor that delivers the policy to the public). By investigating UKT's policy enactment in the Indonesian context, I am trying to construct the social reality that focuses on the dilemma in the "street level bureaucrat", when implementing policy that has the purpose to harmonise the need for funding and the need for equity. In the Indonesian context, there is no prior research that studies this problem.

## 4.2 Revisiting Research Questions and Identifying the Data Needed to Answer the Questions

The primary research questions driving this study are:

“How do policy actors enact the UKT policy in funding human capital and social justice objectives within higher education in Indonesia?”

To answer the main research question, three groups of sub-questions have been posed:

1. How does the Indonesian government interpret human capital and social justice objectives in the Higher Education Act number 12/2012?
2. How do public HEIs enact UKT policy based on the interpretation and translation of funding for human capital within the higher education system from policy actors?
3. How do public HEIs enact UKT policy based on the interpretation and translation of funding for the equity of participation in the higher education system from policy actors?

Devereux and Roelen (2015) suggest that a policy cycle in development intervention consists of input, process, outcome, and impact (consisting of short-term and long-term). A focus of this research itself is to study what happens in the process to produce outcome.

The main reason for UKT policy introduction was the pressure for public higher education to reduce their need for funding for investment in human capital, which in turn pressured the need for equitable participation. First, the government asked public HEIs to introduce a new scheme (UKT) that bases tuition fees on a student's socio-economic status. The UKT prohibited public institutions from levying other fees onto students. The purpose of this policy was to eliminate tuition fees as a barrier for participating in higher education, without much impact on revenues from tuition fees in public higher education. Second, the ministry created a standard cost per student to regulate the expense of public HEIs; this was called Biaya Kuliah Tunggal (BKT). This policy purpose is to regulate the needs

of funding within public higher education. This policy has the means to give a basis for government to control revenue needed by public HEIs, so they are not focussed on the needs for funding but also fulfil the need for equity. Third, the government introduced operational funding grants for public HEIs (BOPTN). The grants allocate funding dependent on the difference between revenues based on UKT received, minus costs based on BKT, with incentives for public HEIs for equity in participation (but also research performance). Even though only the first one fits with the name of UKT policy, the name of these interventions is called UKT policy as a whole. UKT policy has the purpose to reduce tension between the need for funding with the need for equity. This study investigates how policy actors put in practice the purpose of UKT policy in funding public higher education institutions in Indonesia.

### **4.3 The Worldview**

Guba (1990) as cited in (Creswell, 2014) defined worldview as “basic sets of beliefs that guide” and lead principles, ethos and procedures that research endeavours. For Cohen, et.al. (2007) and Creswell (2014), various philosophers suggested social science study was influenced by how someone perceived the worldview to interpret and understand the world. It establishes a positioning lens through which the researcher looks at the study. It answers the question on what and how valid knowledge is produced. To generate knowledge through this research, I draw on the social constructivist worldview (Creswell, 2014).

Social constructionism suggests that knowledge is not limited only about human experience as “humans do not merely experience events, they create them” (Lincoln and Guba, 2013, p. 45). Knowledge is not about understanding objective reality but acknowledging mechanisms through which individuals subjectively construct and apply “symbols and meanings” “to enhance their ability to deal with the surrounding, to survive, cope, and prosper” (Lincoln and Guba, 2013, p. 46). Additionally, social constructionism stresses social science: study the social world, not natural world has on individuals: study about “dealing with the world created by and for humans interacting with other humans and other beings” (idem, p. 46). Thus, it highlights shared meaning-making of understanding reality produced by social interaction within society bound by culturally and historically relative (Patton, 2002; Creswell, 2014).



This worldview believes social knowledge is generated by the shared experience, perspectives and views of different individuals involved in a compromise. On that basis, this research can purposely target policy actors directly or indirectly involved in implementation at the higher education institutions (HEIs) as the main source. My purpose was to depend as much as possible on participants' perspective of the situation being studied on data analysis for knowledge production (Creswell, 2014).

As a worldview, social constructionism also makes available guidelines for the applied execution of this research with preference on open-ended questions for data gathering. The data gathering techniques that allow researchers to interact with the participants to construct and interpret the social reality of the phenomena with focus on local contexts and background (Creswell, 2014). This worldview empowers me to make sense of what local policy actors in public HEI have about the meanings on enactment of UKT policy through discussion. I can analyse the data about enactment through shared social and historical perspective that influence beliefs and actions of people in the street-level organizations intertwined with my own.

The policy enactment studies itself is a reaction to growing concerns that many policy enactments fail to reach their purposes (Treib and Pülzl, 2007). Research on policy implementation has three generations of theoretical approaches: top-down, bottom-up, and hybrid (Treib and Pülzl, 2007). Bottom-up approach theories believed that the street level bureaucrat is the missing link between the policy outcomes and objectives (Lipsky, 2010). This conclusion comes as street-level bureaucrats are people who in practice enacted the policies that are designed by the upper level of the institutions. Street-level bureaucracy may act in partial compliance, rationing, avoidance, or non-compliance. These actions, in the implementations are the ones which make or destroy a policy.

#### **4.4 Bottom-up Approach**

The term 'street-level bureaucracy' was first familiarised in 1971, and afterward it is put into detail in a book in 1980 with updated in 2010. It revealed the paradoxical truth of civil service work, where personal client needs must be balanced alongside mass provision in a condition of constrained resources and

ambiguous policies (Lipsky, 2010, p. xii). The expression ‘street-level bureaucracy’ hinted about the paradox in the implementation of the policy. ‘Bureaucracy’ suggests a set of guidelines or structure of power; “street-level” suggests a remoteness from the central where power most likely resides (Lipsky, 2010, p. xii). Lipsky’s (1980; 2010) street-level bureaucracy theory brings a new perspective to the “top-down” theory and leads the attention to the “bottom end” of policy actors in the mainstream literature regarding policy implementation. This theory brings doubt to the assumption stated by Elmore (1979) that the direction of policy, well-defined administrative accountabilities, and a clear statement of outcomes inevitably increases the chance that policies can be effectively implemented. In Lipsky’s theory of street level bureaucracy (1971; 1980; 2010), the achievement of a policy depends on the conduct of street-level bureaucrats like teachers.

The street-level bureaucrats create policy by two aspects related to one another: “relatively high degrees of discretion and relative autonomy from organisational authority” (Lipsky, 2010, p.13). Relative autonomy from power and antagonistic work conditions - determined by lack of resources to meet unsatisfied demand for the service - enabled street-level bureaucrats to use discretion. The coping tactics employed by street-level bureaucrats, argued by Lipsky justify them as “policy makers in their respective work arenas” (Weatherly and Lipsky, 1977, p.172).

For Lipsky (2010), street-level bureaucracy is:

Public service employment of a certain sort performed under certain conditions. Street-level bureaucrats interact with citizens in the course of the job and have discretion in exercising authority; in addition, they cannot do the job according to ideal conceptions of the practice because of the limitations of the work structures. (Lipsky, 2010, p.xvii).

The limitation of work structure and environmental factors, as defined by Lipsky (1980; 2010) are an adverse policy environment, vague and contradictory policy objectives and goals, performance evaluations and insufficient resources. These external factors produce work pressures, uncertainties and constraints on street-level bureaucrats that bring forward a practice of the policy that are diverse to the ideal conceptions in policy prescription from the top. These all have consequences in a gap from what was envisioned and what delivered by the policy. Street-level bureaucrats themselves have believed that they are doing the best

under difficult circumstances, and they cultivate systems to maintain service and judgment values within the restrictions forced on them by the work structure (Lipsky, 2010, p. xv).

Here, instead of using street-level bureaucracy only for frontline workers, I instead choose the term street-level organisations (Brodkin, 2011, p.944). All of the characteristics mentioned by Lipsky above are evident in the level of public HEIs. Public HEIs are street-level organisations, as they show various forms of discretionary behaviour to manage with ever-increasing and conflicting education policy objectives in the UKT. Moreover, public HEIs take on a role as co-policymakers in the approach, varying in their responses to UKT policy requirements.

In addition, I do not undertake analysis purely on the bottom implementation only. I also look at the intention of the policy itself. However, I do not do interviews on the top as I believe there are documents of interviews already available. The documents that I analyse to look further at the intentions of policy are Constitutional Court documents. In this document are the government's intentions based on the interview in court. Thus, I use an interpretive policy analysis.

## **4.5 Interpretive Policy Analysis**

As the main intention of the research is to explore the conducts in which different individuals “interpret the world in which they live” (Cohen et al., 2011, p.8), an interpretive approach was undertaken. The research is an interpretive research providing a “deeper understanding of social phenomena than would be obtained from purely quantitative data” (Silverman, 2004, p.32). As such, the study provides an analysis of policy, and so I took on an interpretive policy analysis as my main inquiry method.

Yanow (2007) examines how interpretive policy studies present an alternative to the apolitical policy inquiries. This is specifically for scholars questioning the “objective” basis of positivist based policy sciences, by illuminating how the policy itself was created and implemented by an interpretation that is not subject neutral (Yanow, 2007). From this perspective, it gives up the idea of the policy analyst only as an objective provider of empirical reality. There is a need for

interpretive policy studies that views analysts as inevitably biased, in relation to the interpretive and socially constructed character of policy itself (Yanow, 2007). This interpretive turn in policy research can reframe the undertaking of policy analysts and their comprehensions of policy actors. As an alternative to the objective thought of analysis, interpretive policy researchers acknowledge the values, beliefs and sentiments structuring policy analysis and propose analyses that focus on a deep understanding of the reality based on the experience of people that are struggling with policy implementation.

The definition of the problem faced by policy creation and implementation today needs a new definition. The problem is too complicated which can be called 'wicked problems' (Fischer and Gottweis, 2012a, p. 6). Therefore, they argue that "effective solutions to such problems require ongoing, informed deliberation involving competing perspectives on the part of both government officials and public citizens" (p.6). Regarding the competitiveness and social justice problem in higher education, the literature is dominated by a focus on the perspectives of citizens (students) on the problem. The research inquiries about the government official most of the time investigate the matter of policy creation. There is not much inquiry shown to the implementer especially the 'street level bureaucrat'.

Founded on the conventions of social constructivism, interpretive policy analysts have a broad variety of methodological tools when investigating how actors shape the policy implementation (Yanow, 1996). Each of these tools assesses the public domain of policy implementation and allows policy analysts to develop a critical understanding of local knowledge of a policy implementation.

Interpretive analysis, especially in this thesis, is also related to the use of abduction, which is a method of inquiry that has had a big influence on interpretive analysis (Schwartz-Shea and Yanow, 2012). The use of abductive reasoning offers an easier route to obtain understanding of the puzzle, the tension and surprise in the impact of an innovative cost-sharing policy that tries to harmonise two purposes which are sufficient funding for human capital accumulation and equitable participation in higher education. As an abductive inquiry, this thesis evidently follows the ideas of C.S. Peirce, who articulated the first abduction to denote the reasoning that starts with a tension, a puzzle or a surprise and then seeks to elucidate it by detecting the situations that would make

them less impenetrable and more of “natural” or a “normal” affair (Schwartz-Shea and Yanow, 2012, p.27). Puzzle focus understanding can be used to define the procedure of abductive reasoning. According to Schwartz-Shea and Yanow (2012, p.28), the process where ‘the researcher may feel caught up in the puzzle, and if there is an ensuing “struggle,” it is the researcher grappling with the process of sense-making: of coming up with an interpretation that makes sense of the surprise, the tension, the anomaly’ can make abductive look like inductive. However, where inductive work is undertaken from evidence to theory, the abductive seek explanation of the evidence from theory or prior knowledge.

Here, the abductive logic practice exploits both deductive and inductive logic. Theory and prior knowledge are exploited in approaching the research data through a relevant literature review, therefore deductively working from the broad to the specific. The question asked during the data gathering is created from relevant theory and prior knowledge about human capital and social justice policy. In the process of data gathering and getting occupied in the data, possible amendments of the question take place. An open coding of the research data is carried out, making observations on the data in relation to formulated categories. An inductive inference from the specific to the general, back to theory and policy-level, is then demonstrated.

My personal involvement and career background influenced the objective of this study. Having an involvement to provide financial data regarding the impact of UKT policy for public universities as financial administrators in ministry level qualified me as an insider to investigate the matter under research. Being a financial administrator also allowed me to obtain access more easily to the financial administrators who participated in the study: I have a personal relationship with all of them. Schwartz-Shea and Yanow (2012) argue that access is more easily arranged for an insider scholar in regard to networking. They also claim that insiders have “intimate, “local” knowledge of the settings and their modes of action and interaction,” (p. 26) because the researchers have prior knowledge about the context and are familiar with ‘cultures and languages’. The benefits as an insider in this research are having access to financial documents and participants who are also having effective relationships. Another benefit is to exploit the personal understanding and knowledge to obtain more intimate

enlightenment into the study. The shared experience of researchers and participants could also stimulate the sharing of opinions or ideas during data collection.

The aspect that affects my objectivity is my life experience. All of my family live rurally. We are a large family. There are only two in my family that have been able to participate at a HEI. Most cannot participate as they cannot pass the test, and the private HEIs are too expensive. These conditions put me to have different views of the world and place of living which took me as outliers in my family. Besides that, the experience when participating at HEI level, I did not have sufficient knowledge or funding to obtain additional knowledge needed to become a successful participant in the job market. Therefore, even though I have good grades, I find it particularly difficult to get a job. I was only able to get a job in small companies that do not have development, and as a contracted worker at the beginning of my career. Thus, I have much subjectivity on the social justice objective.

My position in this research also faces dilemma. I live in a country where people have credo to participate in higher education for competitiveness. My previous degrees and my work as an accountant in the Ministry that manage higher education make me more receptacle with human capital for competitiveness theory. It is hard for me in understanding the social justice concept. The contents really bring me a lot of new views that break my established worldview and belief. There is almost no social justice practice in education that can be seen in my life related to the concept in social justice literature review. The dogma provided for me since childhood that I need to study hard for successful future competition. In addition, the communism acted as big villain in my education curriculum. The concept of communism that does not provide freedom for people would not be good for the need of country welfare implanted in my mind since I was a child. Thus, it is not easy for me to construct finding that fully antagonize the human capital competitiveness while shown full understanding of what social justice really is.

Schwartz-Shea and Yanow (2012) claim that doing an interpretive inquiry can be challenging since the low validity of the findings is likely to create untrustworthiness of the research and be questioned as having limited

transferability. As an insider researcher who is familiar with the funding system in the public higher education institutions, any bias in the data is recognised and acknowledged. As much as it is stated that a researcher's own experiences and beliefs are part of knowledge making, a bias should not discourage, and objectivity is not a 'holy grail' because as constructivists we are not searching for the 'right fact'. However, there is a need to check my sense making as "to avoid a "rush to diagnosis," that is, to prevent themselves from settling too quickly on a pattern, answer or interpretation" (Schwartz-Shea and Yanow, 2012 p.105).

I must use techniques and strategies to check my sense making. I created a reflective note to record pattern that related with two main themes (Equity and Funding). The note for every transcription was not only one but a few of them. I created a note after finished interview with informant. In addition, after reading the transcription I also made a note and after rereading the transcription, I provided a new note. I drew and verified the interpretation of the data by comparing these notes.

As this research adopts an interpretive qualitative inquiry, the data gathering tools are meant to investigate the tension between competitiveness and social justice needs. What kinds of assumptions about the impact of UKT policy are reflected in administrators' perceptions are also accounted for? Since the interpretive analysis connects to the capacity for reasoning how something is occurring, this study also interprets how the other stakeholders perceive the importance of the UKT policy, and how it affects practices. Undertaking interpretive research means discussing a more thorough analysis than solely description (Basse, 1999). Therefore, multiple case study methods are assigned to understand how the UKT policy creates this impact in universities.

## **4.6 Case Study Approach**

Case study can produce the "thick description" (Stake, 2006, p.83). Such study can be done by putting the researcher's interest which focused more on "tracing of operational processes over time" than on the outcomes, and to discover on why or how a phenomenon happened rather than to confirm about who has or how much the impact of such phenomenon (Yin, 2009, p. 44). It also empowers the researcher to disentangle the complexities of the phenomenon by shaping the

collected information by specific entity(ies) for in-depth analysis and comparing results from different cases (Patton,2014). Well-made case studies are context sensitive and holistic, “which are two of the main strategic themes of qualitative inquiry” (p.782). There are various forms that can be considered a single case like an individual, a group, a policy, an institution, a culture, a county, or even a nation. It can be anything that has definition as “a noun, a thing, an entity” (Stake, 2006, p. 1). Case is the unit of ‘the thing’ to be analysed (Stake, 2010). In this regard, case study looks for in-depth understanding of the case (Stake,2006, Patton, 2014).

I choose multiple case studies as approach on this policy study as I agree with what Stakes (2006) said that:

Whether leaning toward standardization or diversity, almost every educational or social service program will be far from uniform across its different situations. To understand complex programs, it is often useful to look carefully at persons and operations at several locations... I support the view that program administration, public support, and legislative policy making can be more insightful when based on case-specific understanding of local functions. (p. v).

As part of a study exploring how policy is implemented in different organisation conditions, Stake (2006) emphasised that a multi case study is a good approach. Acquiring more than one perception from within a group of individuals, who have all participated in the policy implementation, as well as perceptions from other groups included in different environments of the same policy implementation, is a way to provide a high degree of trustworthiness in the assertions and interpretations of the findings. The policy is an artefact of many different actors and has taken different meaning at different network and institutions. Thus, multiple case study approach offers an ideal means for the interpretive analysis of the policy implementation since it enables in-depth understanding of meaning-making in policy case(s). Specific to this research, multiple case study approaches provide a qualitative framework for exploring a cost-sharing policy for equity in various situated contexts.

This research looks to understand how UKT policy have been being interpreted, rationalized, and implemented from the perspectives of students, faculty, administrator staff and senior administrators who have been influenced and



involved in the process of decision-making for the implementation, and the practical implementation of the UKT policy. The scrutiny of multiple cases can be instrumental to understand the conflict between social justice and human capital that created the impact as it involves participants with different backgrounds in the different networks and organizations. Multiple case studies do this by a “comparison-focused sampling that looks in depth at the significant similarities” and variances between units of analysis and the influences behind those variations (Patton, 2002, p.418). Thus, multiple case studies are also reflected in literature have more power than single case study as analysis of findings that come from cross-cases have better validity and generalization than those arising from a single case (Merriam, 2009). Careful description of UKT policy in the contexts of multiple cases of HEI allow for multisite comparison without abandoning within-site scrutiny (Herriott & Firestone, 1983, p.14). This study has the potential to enrich researcher’s experience in understanding the contradicted theories and practices between human capital for competitiveness and social justice in the implementation of UKT as a new innovative cost-sharing policy.

By focusing on the local interactions that inform policy implementation, multiple case studies approach provides a particularly appropriate model for interpretive policy analysis of street level organizations implementation that has been proposed to understand how the policy works to reach the impacts. Case study research also encourages researchers to obtain more insight as it works in the field and population where social interaction is taking place. In this research, the contextual mechanisms of each HEI and the place in which they are located are believed to be very relevant to “tracing of operational processes” on social justice and competitiveness objectives are being interpreted, rationalized and implemented.

I realize that the depth achieved by multiple case studies bring weakness in the inability to be representative of the whole. The finding thus cannot achieve generalizations because of bias in sampling selection as I do not select the participants randomly. I purposefully recruit the participants according to criteria relevant to the research questions. I believe the purposive sampling method can provide “information rich cases” (Patton, 2014, p.487). It means the sampling method allows me to gain access to the participants who have experience or

possess knowledge to provide information that I seek. By doing so, I do not confirm with probability theory on getting representative of the whole population without bias. Additionally, the data also do not come from large enough samples that can add to the bias.

Possibly, there is nothing that differentiate between qualitative and quantitative research better revealed than in the how they choose the sample (Patton, 2002). In doing quantitative research, a researcher typically has large sample and chosen randomly for objectivity that theoretically have bigger probability on representing of a target population. This research methodology allows numerical representation for the purpose of describing and explaining phenomena. There is a higher probability if a research instrument is used in similar situations on repeated occasions, the results will be consistently the same (Heale and Twycross, 2015). Meanwhile, a qualitative researcher has smaller number in participants and not chosen randomly, so it does not have the same consistency, yet be able to gain deeper engagement and insights taken from the participants' understanding of their lived experiences.

In this research I employed purposeful sampling that uses 'bias' to select institutions as case study. A purposeful sampling strategy allows a researcher to inquiry an issue in depth, as researchers select case study based on suitability to achieve the research's question (Patton, 2014). Patton maintained that:

“What would be 'bias' in statistical sampling, and therefore a weakness, becomes intended focus in qualitative sampling, and therefore a strength. The logic and power of purposeful sampling lies in selecting information-rich cases for in-depth study. Information-rich cases are those from which one can learn a great deal about issues of central importance to the purpose of the inquiry, thus the term purposeful sampling. Studying information-rich cases yields insights and in-depth understanding rather than empirical generalizations.”

In the progression of this study there is a need for the triangulation of data. Triangulation states to utilise more than one method of data gathering in the research of social interpretation (Newby, 2014). The utilisation of triangulation in qualitative studies is to certify that there is rigour related with the research (Denzin, 1997). Triangulation was accomplished by the use of a documentary analysis and interviews.

## 4.7 Data Collection

There are two stages of data collection. The first stage involves gathering data from documents. Documents are needed for in-depth apprehension of the research issue (Denzin and Lincoln, 2005) and as data triangulation (Stake, 2006) to make results and analysis more rigorous and convincing. The policy documents are the first source in this study, and specifically refer to the published material from Constitutional Court documents. The second source for document collection is the law documents and published archival materials on UKT policy in Indonesia. They include the university website, the local and national press, and also an academic journal which represents administrators' rhetoric and speeches. The last document data source are financial reports and statistical data from government official statistical bodies. The purpose of this data collection is to acquire an understanding of the larger context of the impact of UKT policy on funding and equity. Based on this, I will be able to develop an overview of the debates relating to UKT policy to form the interview protocol. The data will also be used as triangulation for information gathered from the interview.

The second and main source is administrators, lecturers and students in public HEIs, through one-on-one interviews. Most interpretive research is based on face-to-face interviews (Schwartz-Shea and Yanow, 2012). Individual interviews with three groups of stakeholders are employed. The key informant exchanges are useful in gathering first-hand data and knowledge from a wide variety of participants on the research questions.

In my own research there are three different public HEIs used as cases. The first consideration for this choice, Java Island has the highest population density among the other 17,500 islands of Indonesia with 57% of 258 million populations living there (BPS, 2016). The second consideration is the culture is less complicated because the population is mainly from 2 major ethnicities, which also accounts for 55% of the population of Indonesia in 2010 (BPS, 2011). Even though provinces in other islands with more ethnicities can offer richer data, it can be a big problem for me as an early researcher to analyse the data. In addition, this study can be considered exploratory research that does not need that complicated data.

The second, I look for public HEI that have contrasted attributes based on three criteria. The first criterion is based on the literature review on the division between ‘saleable’ STEM program study and ‘non-saleable’ arts and social program studies with their different ability to attract funding both from government and private. These criteria also related to the rank position, financial condition and, in this regard, affect the possibility for the low SES students for access. There are three sub criteria in these criteria. One which has mainly “saleable” STEM program study with top rank position and rich financial condition. One which has mixed program studies with good rank position while having lower financial power compared to other elites and one with focus on “non-saleable” program study with low rank position while also having the lowest financial power.

The third criterion is type of public HEI under MoRTHE. There are three types which are polytechnic, university and institute. The third consideration is the need to choose one public HEI that has resided in each one of three biggest provinces in Java islands for making the multiple case studies have richer information. As all of the criteria have three sub criteria thus, I choose three public HEI as my case studies. The data come from their position in national rank published by MoRTHE (2017) filtered by their type, where they reside and their financial power from my knowledge on all public HEI financial conditions. My institution samples consist of one polytechnic (called Polytechnic), one university (called University), and one Institute of Arts and Culture (called School of Arts). All of them have a very contrasted attribute related to criteria and sub criteria.

The Polytechnic can be included as an elite institution. It has a good reputation, and its graduates are sought after by industry. Most of their students can get a job offer before graduation. In addition, they have a program of study where graduates are automatically accepted as employees in corporations that are the leaders in their respected industry in Indonesia. The Polytechnic is one of the top three polytechnics in Indonesia based on a ranking by MORTHE in 2017. As a polytechnic, all its programs are vocational, and specialized to develop marketable competencies. Their main source of funding does not come from the government but from their revenue. As a top polytechnic, a great number of its students can get a job offer even before their graduation. Thus, it is one of public HEIs with the fiercest competition for getting accepted.

The University is in a small city with one of the lowest standards and costs of living in Indonesia, with nearly half of the national average. They have a bigger part of funding from government subsidy, but their revenue also has a considerable part. It is in a region where many residents have low socio-economic status (SES). They have various social and arts programs; their biggest program of study is teaching. Thus, the University attracts many students with low and medium SES. In addition, universities have marketable STEM programs but also belong in cluster 1 of Indonesia University's ranking by MORTHE. Thus, they also attract many rich students. In the last few years, they always ranked top in the number of students applying for admission.

The School of Arts itself is not part of top public HEIs. They also focus on the disciplines that are not marketable, as they are related to arts and traditional culture. The participants are mostly from low-middle SES students. In addition, their revenue only takes a small part of funding their budget.

The semi-structured interviews are conducted in the Indonesian language. It was held at the institutions' site at the end of November until early December 2008. I have 10-11 respondents from each sample institution. The number of samples chosen after consultation with my supervisor. The number needed to be chosen before field study because of the need to apply for ethical approvals on the number of respondents. I try my best to make the number as concise as possible. I must stay in Indonesia doing nothing for more than 2 months and only doing field work for 2 weeks because of waiting for ethical approval. The reason was I do not want to have signed a consent letter. The consents provided by asked in record when the interview started. I also provided a plain language statement on the nature of the study before the interview started.

There were 32 interviews in total, comprising 5 students, 6 members of faculty, 6 senior administrators, and 15 administrators. The interview lasted from 30-60 minutes. All of the interviews were recorded, however, I have some unrecorded conversation written on notes. I also do one interview without recording in the University as the participants do not want to be recorded. I do not put this unrecorded data for coding. I only use these data for additional reference.

For participants selected who had necessary and sufficient knowledge and involvements in UKT policy, I employed ‘purposeful sampling’ to choose participants who can provide rich data for the case and settings (Patton, 2002). The purposeful sampling of participants is one of the main approaches that many researchers selected for case study research (Stake, 2010). Besides ‘purposeful sampling’, the study also employs the ‘snowball sampling’ method in order to take advantage of any of the suggestions of participants (Patton, 2002).

The first interviewee is the senior administrators that have direct relationship with implementation of UKT policy. I get the information from my contacts in the institutions. The next participants come from snow-balling sampling. Patton (2014) said:

This is an approach for locating information-rich key informants or critical cases. The process begins by asking well-situated people, Who knows a lot about \_\_\_\_\_? Whom should I talk to?...In most programs or systems, a few key names or incidents are mentioned repeatedly. Those people or events, recommended as valuable by a number of different informants, take on special importance.

This snowball sample method brings me to many different stakeholders that directly or indirectly affected the implementation of UKT in HEI as a street level organization. One of the main protagonists even though not acting as bureaucrats is a student. In the interview, the administrators in all of the case studies provide many events where they aborted UKT related policies because of students. In Polytechnic where students are less influential, I only choose one respondent. While in the other two case studies where they are more powerful, I have two respondents.

## **4.8 Data Analysis Process**

An analysis of the data was separated into two parts: document analysis and interview analysis. The first phase has two parts. First, analysis was involved in mapping the government’s intentions in applying the policy using data collected from 3 Constitutional Court documents. The policy texts in these Court documents try to collaborate between conflicted social justice and human capital theories. This attempt is likely to be interpreted differently in the practical level where the policy implementation becomes ambiguous and unclear. The second was analysis

of the data on the news of how these problems create conflict regarding UKT in practical level. These data were used by me as a basis for my questions in the interviews, but also acted as data triangulation.

The analysis on the data is in Indonesian language and translates to English when they are used in quotes. I do not translate the interview transcription and any of the document for the purpose to catch the nuance in the word. The nuance that can be lost in translation. In addition, I do not use computer software on analysing the data transcribed the data by myself in verbatim format. There are 527 pages of them. This is related to a content analysis method where I do need to immerse myself with the data, “–being grounded–so that embedded meanings and relationships can emerge” (Patton, 2014, p. 792).

The analysis of data was conducted systematically and was both an inductive and deductive process. The first phase involved content analysis of three documents from the Constitutional Court. The data from these documents were approached with some preconceived major themes drawn from the literature review, which is action related to human capital and social justices like competitiveness, competencies, social inclusion, and government control. I presented the pattern on the description of what the policy maker said they want to do with this policy related with theory in literature review. The data from this analysis was then contrasted with the news on UKT. In this finding, I want to describe what social justice and competitiveness meant by the policy maker and what the outcome.

A pair of main themes were used at first to inform the interview question. Devising this main theme was informed by the research’s purpose and questions. These themes were funding and equity. These themes were then used as ‘ground’ for pattern through content analysis (Patton, 2014). I look at the interview data from participants on the pattern for description and associated context they related with funding and equity theme. After each interview were transcribed by me, the content that was discovered to be potentially appropriate for describing the pattern related to the theme was used to develop code. The code from theme then classified into 15 sub themes. I used non-verbatim on the sub-themes. Based on the sub-theme, I choose to do cross case analysis on description of the theme related to equity as their sub theme have many similarities. However, the theme

related to equity is analysed with a single case as their difference in sub theme is quite profound.

Both of those analyses have not many interpretations as what I want to do is more on description and less on interpretation. The data presented in verbatim and non-verbatim form. After that, I used existing literature to interpret the magnitude to which my findings braced or antagonised the instruction from literature review about both of societal goals in the funding of HE. The new themes developing from the mixture of the deductive and inductive process show the implications of the modification of existing theories, especially that related to human capital. This is illuminated and explained in a later discussion chapter and in the conclusion.

## **4.9 Ethical Considerations**

This study was conducted in agreement with established ethical guidance (BERA, 2011). Conforming with the University of Glasgow 's required procedure for conducting any research concerning human subjects mandatory for submitting an ethics application approval form to the College of Social Science Ethics Committee. Ethical approval must be received before any field study is conducted (Abbot and Sapsford, 2006).

I received ethical approval with application number 400180027 and the study could be conducted starting from 12 November 2018 (see Appendix 2). Thus, I started the Interview field study that started from 15 November until 2 December 2018.

Appendix 3 shows a letter containing permit appeals to conduct the research in the chosen sites which were given to 3(three) vice chancellor of public HEIs (see Appendix 3). I had received approval from the institutions to conduct an interview and reported to the vice chancellor before entering and exited the research sites. They also provide me with a guide during the time for showing the place and introducing me to the respondents.

The Plain Language Statement (see Appendix 4) presented to the participants before the interview began. The Plain Language Statement provided information to the participant about the nature of the research and also the College of Social



Sciences Ethics Officer contact person to be called if they have concern about my conduct of research.

Since this is a study policy analysis which innately political and put positions on political stance, consent letters were not distributed to the participants. I believe it was culturally and ethically unacceptable for me to ask participants to sign a letter that attested what they said which can be politically tactless, controversial, and attacked the government position. Especially, when I work at the Ministry that they would criticize in the interview about the implementation of the policy. The holding of a letter that attested to the participation would put me in the ethical dilemma as I am holding something that can be proof in front of law. The interview recorder as electronic information itself cannot be regarded as proof of law in the Indonesian judiciary system when it is not made by a law officer. There is a need to consider how the law in Indonesia has not yet matured like other countries in the global south. In Indonesia, you can find people going to jail because they criticize treatment from the hospital. The participants only made aware that I needed their consent by asking if their participation was entirely voluntary before starting every interview on records. As, I use a snowballing sample, thus I only know my respondent after I am already on the site. In addition, I do not have a lot of time to do the field research thus I came and asked for respondents directly to participate in the site. No payments were presented for contributing.

To protect the details of participants being reported, their identity and the identity of the public HEIs were altered, and pseudonyms are adopted throughout the thesis. Anonymity for participants and study sites is an almost undisputed belief in established ethical conduct and is incorporated in the ethical codes of practice and guidelines designed by various professional organizational” (Walford, 2005). I realize that policy analysis study is intrinsically political and therefore challenged by multiple ethical problems. Especially in multiple case studies, where confidentiality and anonymity are not difficult to be cracked. It is problematic to maintain full confidentiality when the number of institutions not large enough and the need for revealing the distinctive characteristics as part of make it become a meaningful sample.

Nevertheless, efforts have also been made to keep the identity of the public HEI and their exact location anonymous and all efforts have been made to ensure that

no names or personal details were used in this research. Participants were assured that their contribution would be kept strictly anonymous. However, it is also acknowledged that by providing certain details about the public HEIs there is a danger that their identity could be easily discovered. I also used verbatim and non-verbatim in presenting the data. It is especially important for critical and controversial comments.

I use an open access file for all documents to be reviewed. The documents sourced from download the data directly from the website of the institutions. Thus, I do not ask any permission for using the data but provide reference on the source of data.

I made a transcript of the digital file. The transcript not translated in transcript. Digital files of interviews and the transcript have been stored in password protected folders in a private laptop to safeguard that only me has access. The data would be kept for ten years before destroyed as enquired by an ethical approval letter.

## **4.10 Chapter summary**

In order to explore how UKT policy reform is enacted in public HEIs, my research employed an interpretive policy analysis approach. 32 interviews were conducted, comprising five students, six members of faculty, six senior administrators, and 15 administrators, from three distinct public HEIs. Constitutional Court documents and news were collected from various channels such as online news and public HEI websites. This inquiry is intended to describe the UKT policy enactment and its outcome. The three case studies of public HEIs cannot be representative of all state maintained HEIs; however, I have three public HEIs with many of their characteristics demonstrated by Lipsky (2010) on how different circumstances would be made for different strategies by bureaucrats. In addition, the qualitative nature of this policy analysis does not seek generalisation.

## **Chapter 5 Reform of Higher Education Funding in Indonesia**

### **5.1 Introduction**

This chapter lays out the background required in understanding the origins, historical and political contexts of the UKT policy. Understanding these issues is important in establishing why there is a need to implement policy that comply with both social justice and competitiveness approaches. First, this chapter presents background information on the reformation of higher education financing in Indonesia. Second, the chapter presents what actions and rules enacted by the government in the policy based on social justice and competitiveness approaches. This chapter will also discuss responses to the UKT policy. Finally, it will summarise the main points of the chapter.

### **5.2 The Reformation of Funding Policies**

Higher education is considered important in modern society globally, as an active factor in influencing public policy, improving economic growth, developing a workforce of the world, and leading ground-breaking research in sciences such as biotechnology, manufacturing technology, healthcare, information technology, and the social sciences. Today, higher education is assimilated into society as a pioneer in innovation and knowledge. Higher education is fast becoming an economic activity that supports economic growth and a main contributor for the gross domestic product (GDP) of many countries or areas. It is expected to be a way to respect the social status, widen life opportunities, create better jobs with higher salaries, and act as intellectual stimulus (McMahon, 2009; Bathmaker et al., 2016).

Tertiary education was a luxury in most parts of the world until the 1960s. Since then, there has been a transformation towards the mass provision of higher education. In the 1990s this raised the issue of financing and cost policies for higher education, and many nations across the globe became increasingly attentive to establishing financing strategies for their higher education systems. Now, many higher education financing matters are disputed by policy makers,

official authorities and academic faculties. One such area for attention is the financing of higher education for human capital investment.

There is much evidence that in many nations, especially in developing countries, governments lack the ability to finance the fast growth of spending in tertiary education (Johnstone, 2006). Consequently, the worldwide approach concerning higher education finance has transformed, and governments have been forced to reform their policies. As a consequence, higher education has many changes in its financing methods and management. Hauptman (2007) presented, in his review about higher education financing, that various countries have experienced substantial alterations in relation to public support for higher education. One reason for this is that public expenditure in many countries, if not all, has not been able to meet the increasing social demands for tertiary education, as Barr (2003, p. 3) observes:

When higher education was an elite system with participation rates in single figures, maintaining a high-quality system out of taxation was not a problem. The expansion to a mass system has been a major advance. But the expansion has implications... It is no accident that American universities, with their mixture of private and public funding, are the best-off materially in the world - much better off than their publicly-funded Canadian counterparts or universities in equally rich countries like Sweden... Such outcomes are no accident. In economic terms they arise because mass, high quality higher education is incompatible with fiscal constraints caused by longer-term factors like international competitive pressures and population ageing. In political terms, they arise because higher education will always lose out to competing and politically more popular claims such as the NHS.

The history of funding in Indonesia faces the same problem. Historically, tuition fees in Indonesia have been cheap and subsidised almost fully by the government (for public HEIs). For three decades, Indonesia was under the dictatorship of President Suharto, who maintained the stability of his leadership through managing price. The tuition fees for participating in public HEIs and even private ones were subsidised via appropriation from the government. Tuition fees were maintained in low and affordable ways even for the poorest students (McMahon, 1988). To maintain the appearance, tuition fees were not even called 'fees' but 'education development donations' (*sumbangan pengembangan pendidikan*). However, as presented in the previous chapter on Indonesia, there was big inequality in participation from the lowest SES students compared with the highest

SES students. Another problem was the low quality of graduates. Many lecturers with low salary relegated their duties to teaching assistants, as they were busy working as a consultant or teaching in private universities as visiting lecturers. President Suharto toppled after the East Asian financial crisis in 1997 hit Indonesia.

Based on recommendations from the IMF and World Bank, a new policy in Indonesia was enacted to give public HEIs in Indonesia more autonomy from the government, for example to set their own tuition fee rates (Susanti, 2011). The subsidies are mostly for public HEIs; private HEIs have almost no subsidies from the government. Furthermore, public HEIs are able to recruit students outside of the normal national entrance test, called Mandiri path. Students that gain admission from Mandiri path must pay a one-time entrance fee. Most public HEIs still apply the low tuition fee cost. However, they also levy many other fees outside of the tuition fee. Although many criticise the cost to attend higher education, the main criticism of public HEIs is the entrance fee for students who attend via passing the Mandiri path. The entrance fee can reach a hundred million rupiahs (ten-thousand-pound sterling).

The government went even further with the creation of the law No. 9/2009, that in the long term seeks to make all educational institutions in Indonesia enterprises that are independent from the government. This autonomy provided big concessions for public HEIs to set their own fees. Even though the government set out that students should pay a maximum of half the costs, the other half of the costs were not provided by the government itself. The funding from public HEIs can come from 'donations' (entrance fee). The donations are paid by the students who are admitted from Mandiri path. On the other hand, as the cost outlined in the law regulates the total overall cost, public HEIs can ask most students to pay the full cost themselves. The subsidies from government and public HEIs can be allocated only for students that apply for waivers due to economic conditions. The law number 9/2009 can be said to drive public HEIs to be more inclined towards competitiveness while it neglected the social justice objective. However, this law was abolished in 2010 by the Constitutional Court.

### 5.3 The Abolished Law Number 9/2009

In Indonesia, individuals or groups can undertake a judicial review of any law in the Constitutional Court. The judicial review can include any material and formal contents of the law that might cause the people to lose their right as Indonesian citizens. In this case, Undang-Undang Dasar 1945 (the Indonesian Constitution) has many articles that have a connection with education rights. They are:

a. Preamble:

Pursuant to which, in order to form a Government of the State of Indonesia that shall protect the whole people of Indonesia and the entire homeland of Indonesia, and in order to advance general prosperity, **to develop the nation's intellectual life**, and to contribute to the implementation of a world order based on freedom, lasting peace and **social justice**.

b. Article 28C:

Every person has the right to self-realization through the fulfilment of his basic needs, **the right to education** and to partake in the benefits of science and technology, art and culture, so as to improve the quality of his life and the well-being of mankind.

c. Article 28E:

Each person is free to worship and to practice the religion of his choice, **to choose education and schooling**, his occupation, his nationality, his residency in the territory of the country that he shall be able to leave and to which he shall have the right to return.

d. Article 31:

- (1) Every citizen has the right to receive education.
- (2) Each citizen is obliged to follow elementary education and the government has the duty to fund this.
- (3) The government organizes and implements a national education system, to be regulated by law, that aims at enhancing religious and pious feelings as well as moral excellence with a view to upgrading national life.
- (4) The state shall give priority to the education budget by allocating at least twenty percent of the state's, as well as regional, budgets to meet the requirements of implementing national education.
- (5) The government advances science and technology along with holding religious values and national unity in high

esteem with a view to promoting civilization alongside the well-being of humanity.

Every policy related to education can be put to judicial review if any citizen or group believes that the policy contradicts the Constitution. The Law number 9/2009 was challenged through a class action judicial review by many individuals, education foundations and private education provider alliances. Some of their arguments were:

1. Higher education is a public good based on the Indonesian Constitution which means it must be funded solely and wholly by government;
2. The tuition fees will be very high and unaffordable because the government is only responsible for a small part in funding public higher education and only need to pay half of operational costs together with the public HEI itself;
3. The autonomy in financial management and the mandate for searching private funding sources put public HEIs to act commercially while they also have another responsibility beside education providers. (Putusan No. 11-14-21-126-136/PUU-VII/2009).

Law number 9/2009 is about educational legal entities abolished by the Constitutional Court (Putusan No. 11-14-21-126-136/PUU-VII/2009). The main consideration is that the obligation to give all higher education institutions full autonomy is unconstitutional. There is a need to position autonomy as one choice, but not the only one. The non-profit and autonomy principle is unable to guarantee an affordable tuition fee for the public, particularly when HEIs have an obligation to shoulder half of operational costs with the government. There is a need to consider the different costs required by public HEIs, and the capability to look for added revenue beside tuition fees. There are some which have the capability, but more that don't due to limited capital investment and human resources. Many big companies with big capital and advanced technologies already control most profitable goods and the services market. The only thing they can do to get additional funding is to commercialise their land and building capacity. The impact is less capacity for education facilities. Besides that, there are no clear regulations on what operational costs can be charged to students. In need of source funding, public HEIs can manipulate the fee by asking for many other dues beside tuition fees that directly or indirectly make costs to attend unaffordable.

On the other hand, public HEIs may admit as many students as they can to increase revenue, which in turn affects the quality of education. In addition, the autonomy for all public HEIs is not in line with the Constitution, because the national education is based on market mechanisms. Thus, with the implementation of this law, the government puts the responsibility of education on education enterprise bodies which supposedly belong to the government. As deemed by the Constitutional Court, the law does not comply with Indonesian Constitution on preamble and article 31. The law No. 9/2009 caused constitutional loss, so it is annulled.

## **5.4 The Law behind the UKT Policy**

In 2012, the government of Indonesia ratified the higher education act number 12. This regulation was an outline of the general policy goals of the higher education system in Indonesia. It was stated at the beginning of the law that one of reasons why it is ratified is:

To achieve affordability and fair equality to participate in good quality higher education and relevance with the public interest for development, self-reliance and welfare, it is necessary to plan higher education in a planned, guided and sustainable way taking into account demography and geography.

Based on this, I maintain that the law has to try to achieve objectives both of higher education as a producer of competitive workforces and helping build a just society at the same time.

In order to identify what action or rule in the policy that has affinity toward each objective, I undertake an analysis of three constitutional verdict documents. They are Putusan No. 103/PUU-X/2012, Putusan No. 111/PUU-X/2012 and Putusan No. 33/PUU-XI/2013. All these courts documents are verdicts made by the Constitutional Court on rejecting judicial reviews for law number 12/2012. Through this document I can get a sense of the argument presented by the government when defending the contention that this law complies with Undang-Undang Dasar 1945.



### 5.4.1 HEIs for Competition and Competency

In Putusan No. 33/PUU-XI/2013, when the President of Indonesia presented his testimony regarding the philosophical foundation of the law, there was a heavy emphasis on competencies. The following wording is taken directly from the opening of the Philosophical Foundation:

The development of civilization in a country is largely determined by the achievements in education, because the main purpose of education is not merely knowledge transferring but far more than that, which is potential development of students. (p.61).

It is worth noting that even the “human right” to receive education and widening participation is valued in connection with an individual potential development that affects economic development and global competitiveness:

Awareness of higher education importance must continue to be developed, especially for the younger generation, by providing provision of skills, knowledge and thoughts that are able to improve the quality of human civilization in the future...

In addition, higher education becomes an important tool in improving a nation's competitiveness in the context of global civilization. Competition capacity, value competitiveness, and partnership potential determine the distinction of any nation in the world. Until now, the competitiveness of our national education, particularly higher education, has not been able to become Indonesia's strategic strength in the international arena. In facing the development of the world which puts importance on the science and technology foundation, higher education is expected to prepare Indonesian human capital who are intelligent, creative, cultured, tolerant, democratic, and strong in character. Therefore, the state must be guaranteeing access to higher education for citizens based on their talents and abilities or intellect. (p.62).

Regarding this, the government formalises policy in the law that is able to support HEIs in Indonesia to achieve their objectives.

The law number 12/2012 outlines that the government can offer autonomy in academic and non-academic settings to public HEIs. There are two kinds of organisational bodies: one which has full autonomy, called PTN-BH; while the semi-autonomous institution is called PT-BLU. Pannen (2018, p. 5) states that PTN-BH have authority over:

- Fully manage and monetize government-owned assets allocated to them except lands;

- Full autonomy on governance with responsibility to Board of Trustee
- Freedom to establish units;
- Autonomy on funding management;
- Freedom to establish business entities and endowment fund;
- ‘Recruit, manage, replace, and dismiss academics as well as non-academic staff’;
- Freedom to establish and close study programs.

Meanwhile, PTN-BLU (BLU: Public Service Institutions) only have limited autonomy over financial management (Pannen, 2018).

Regarding this, the government formularises a policy based on the law that is able to support HEIs in Indonesia to achieve competitiveness objectives. Higher education is responsible to fix the competitiveness of education in Indonesia, particularly in higher education. It is demanded to become Indonesia's strategic strength in the international competition. Higher education is expected to prepare Indonesian human capitals who are intelligent, creative, cultured, tolerant, democratic, and strong in character. Thus, the state guarantees citizens to have access to higher education based on their talents and abilities or intellect as in line with the actions provided in the higher education act.

In the documents, the government realised that they have limited funding capabilities, thus giving away the right to public HEIs to obtain funding from private sources (Putusan No. 103/PUU-X/2012, p. 79). The government argued that Article 31 puts forward that the government does not have an obligation to finance higher education. They said that article 31 paragraph (1) of Undang-Undang Dasar 1945 states that every citizen has the right to education. However, Article 31 paragraph (2) states that citizens are only obliged to attend basic education and the government is only obliged to finance this basic education. Based on this, the government perceived that the Constitution did not ask them to bear the cost of fulfilling the right to education at the higher education level. As the government has limited financial capacity for financing higher education fully, thus, the students as parties who get direct and larger benefits from higher education need to participate in financing the costs of their education. Government also put forward that interest-free loans as an alternative choice in fulfilling the rights can be selected based on the conditions of concerned students.

Relief in the form of loans without interest to students is a form of government responsibility in higher education.

In addition, the government stated that private funding can be a big help for widening participation. In addition, the government stated that private funding can be a big help for widening participation. The business world and industries get many benefits from higher education institutions that conduct research and development. The government then stimulates the universities to have this route for collecting funding from private sources. They also criticised that the contribution of the commercial world for contributing to the national intellectual life by helping higher education is very lacking. In addition, the government presented that some entrepreneurs and domestic philanthropists actually help universities abroad with a fairly large amount, but not in domestic higher education institutions. They believe that the issue lies in the incentives. There is thus a need for an incentive system regulated in the Higher Education Act for the community members, philanthropists, business and industrial world that help the universities.

The strategy for making public HEIs independent of public money is also supported by the government in the allocation of the right to utilise the state's assets:

Management rights to state's assets given to universities can be in the shape of rights to land, sea, mining, plantations, forests, and museums. The management right is more on utilization. The advantage here is in the profits from resource management. These are used to finance higher education so that they can be cheaper and affordable for more citizens or in non-financial benefits like for the development of science and technology. (Putusan No. 103/PUU-X/2012, p. 83)

#### **5.4.2 HEIs for Social Justice**

Responsibility and control over education is another big concern for the government. The rhetoric that the government has controls and responsibilities over HEIs must be presented as without it, the Constitutional Court can annul this law. These control and responsibilities are considered as guarantees to provide access to education for all citizens from the government.

In this law, the government said that the autonomy that is available for all public HEI is only related to academics. Most public HEIs still exist in the form of regular

government units. As a regular unit, it must be bureaucratic and be fully dependent on the government and it has no connection with the academic. They are unable to have any revenue outside related to education. Every revenue must be deposited to the state treasury. They cannot look for other revenue besides education as the cost would be borne by public HEIs, but the revenue belongs to the government. These institutions are fully supported by the government and must act as another part of government bureaucracy.

BLU form is second in terms of the number of public HEIs which take this form. This public HEI only has autonomy in using their revenue directly without the need to deposit to the state treasury. Beside an autonomy regarding the revenue management, the HEIs mostly must follow the similar regulation with the regular public HEIs.

The third form is PTN-BH, only given to small parts of public HEIs that already have the capabilities. However, the government does not fully lose control of this kind of public HEI:

Higher education did not turn into private goods when higher education was organized by a PTN-BH. Granting PTN-BH does not transfer management of higher education from the public sector to the private sector or reduce the responsibility of government for higher education administration. Higher education remains public goods. (Putusan No. 111/PUU-X/2012, p.43)

Government put forward that public goods are not only served by the public institutions. Based on the document above, the government opened the possibility for many public goods including water companies, fuel, health and education to be served by private legal entities. Before Indonesia declared its independence in 1945, the private legal entities such as foundations, associations, or other private legal entities were involved in managing the education sector.

The government places attention on the commercialisation of higher education by maintaining that any partnership with industry must not affect the responsibility of HEIs as the public institutions. The government put forward:

Financial assistance from the businesses and industries will not violate the subject matter in the preamble of Undang-Undang Dasar 1945, will not reduce the state's responsibility towards funding higher education, will not change the paradigm of higher education based on

paradigm of business and industry, and will not change the curriculum of higher education according to the desires or needs of the business and industrial world (Putusan No. 111/PUU-X/2012, p.65).

Here, the government also needs to make sure that the private source funding should not affect their responsibility as the main funder of higher education. There should be also assurance that the government would provide the law to ensure that the funding from the commercial sector would not affect the HEI in pursuant of knowledge and safeguard academic culture and scientific traditions.

The government also provides many policies that are needed for the widening of participation for social inclusion. First, it is related to funding. Government stated:

In Indonesia, the disparity in participation of higher education between economic groups and between regions is still high. High school/vocational graduates from economically disadvantaged groups are small in number and went on to higher education, compared to high school/vocational graduates from economically advantaged groups who continue to higher education. Likewise, high school/vocational school graduates from eastern Indonesian regions which go on to higher education are far less than with high school/vocational graduates from the western part of Indonesia. (Putusan No. 111/PUU-X/2012, p.45)

To overcome these problems, the government took several strategic steps. They have a plan for increasing the assistance of poor students to access higher education through need-based scholarships called *Bidik Misi*. Combining all higher education fees charged by public HEIs to become one with the tuition fee referred to as a single tuition fee (UKT). Giving operational assistance for public HEIs (BOPTN) to cover the difference between the fee (UKT) paid by students with cost of education delivery (BKT).

The second action proposed by the government is the nationalisation of private HEIs. They said:

The government road map to fulfilling responsibility in ensuring affordability and equitable access to quality higher education for social justice, among others, is carried out through the nationalisation of private universities. (Putusan No. 33/PUU-X/2013, p.90).

The nationalisation is directed in regions that do not have public higher education. There is also a need to increase a number of public HEIs in the region with large

areas or the region which has very high population density in order to ensure the availability of quality services and affordability. This action is aimed to ensure the implementation of affirmation and presence of higher education provided by the government.

The government also provides the Mandiri path to ensure affirmative action can be easily implemented by the public HEIs. The government stated:

Children who study in rural areas, underdeveloped, outermost, and remote, will lose to children from urban areas when competing through national examinations, now known as SNMPTN (National University Entrance Selection)...Children from disadvantaged, frontier, outermost, and remote areas, cannot pitted against children from urban areas who have facilities, study in good schools, and have a much better preparation through the shadow education, groups learning, etc...This gap in access must be overcome through the affirmation for guaranteeing social justice of access to higher education. (Putusan No. 111/PUU-X/2012, p.57)

The document above showed that the government regarded the national entrance test at public HEIs is only intended to look for the best talent without creating any discrimination. However, it is not yet to accommodate government tasks to overcome the social disparity of the student population. Government admitted in this document that based on a 2006 socioeconomic survey by the national statistics body (BPS), shows access to the richest 20% of the population to higher education has reached 61.4%, while access to 20% of the poorest citizens on higher education is around 1.1%. The affirmation action can be operated by the public HEIs to the disadvantaged children through the new student admissions that operated independently by the public HEIs called Mandiri path.

## **5.5 The UKT Policy**

In 2012, the government of Indonesia ratified the higher education law number 12. This regulation was an outline of the general policy goals of the higher education system in Indonesia. One of the considerations for the law was to tackle the issue of educational equity. It was stated at the beginning of the law as one of reasons the ratification was:

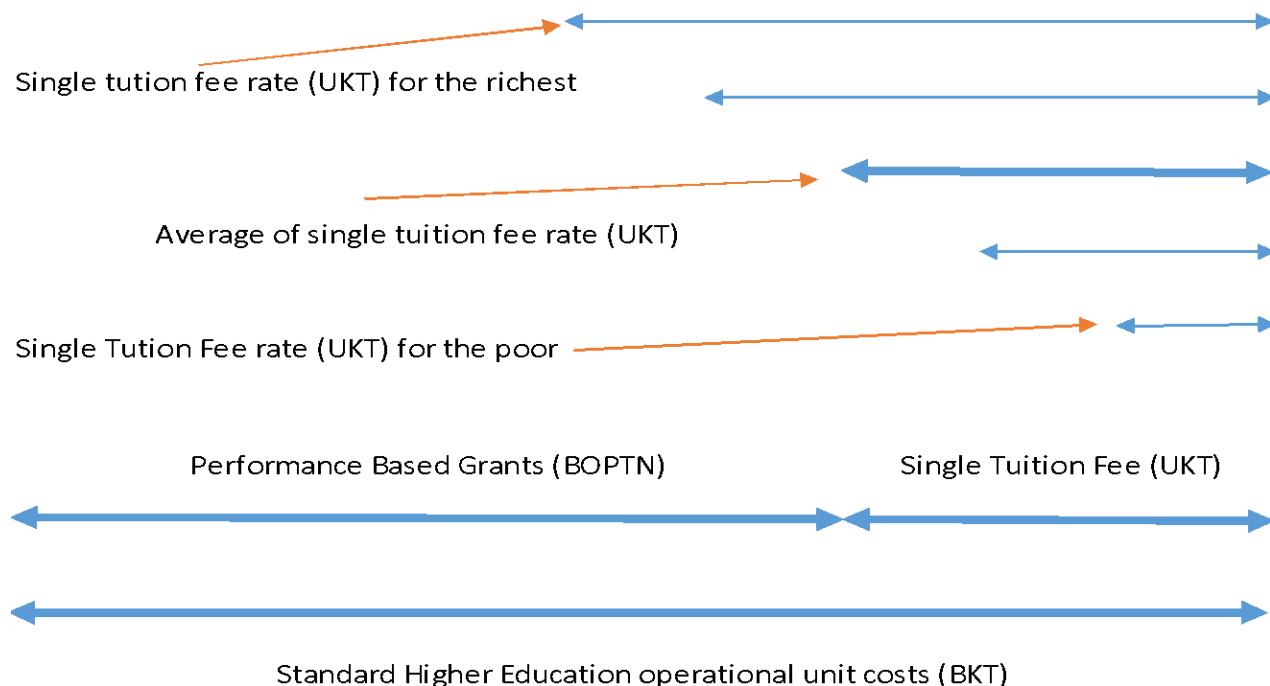
‘to achieve affordability and fair equality to participate in good quality higher education and relevance with the public interest for development, self-reliance and welfare, it is necessary to plan higher

education in a planned, guided and sustainable way considering demography and geography.'

Related to funding and tuition fees in achieving equity and maintaining quality, the Law no: 12 section 88 states that:

- 1) Periodically, the ministry calculates standard operational cost (BKT) of study in higher education with consideration of:
  - a) Achievement in National Higher Education Accreditations;
  - b) Study Programs variety; and
  - c) Regional price index.
- 2) The BKT as referred above must be applied as the basis for directing allocation of government's budget to public higher education institutions.
- 3) Tuition fee collected by universities must be based on that BKT.
- 4) Tuition fee imposed upon students must be accustomed to the financial ability of people who pay for their study.

Based on this law, the Ministry of Education, responsible for higher education (2013 and 2014, 2020-present), and the Ministry of Technology, Research and Higher Education (2015-2019), must pass the regulations that set standard operational unit costs (BKT) for each program in public universities. The BKT have a purpose to guarantee good quality of education, so public HEIs need a standard cost for delivering education.



**Figure 5** Diagram of relation between UKT, BKT and BOPTN (Putusan No. 111/PUU-X/2012, p. 52)

The government stated that even though the formula is  $UKT = BKT - BOPTN$ , it does not mean every student pays the same fee (UKT). The wealthy students pay the fee with little or even zero subsidy from the government for the cost of study. The middle-income families pay the cost with moderate subsidies from the government. Meanwhile, almost all of the cost of study for students from low-income families is paid by the government. The average fee of all total payment by students is used as a basis for calculation. The difference between this average fee with BKT would be covered by the government through BOPTN:

The Ministry of Education and Culture has built a model / formula for calculating and allocating BKT, BOPTN and UKT. BKT scheme, partly borne by the government through BOPTN and partly borne by the private through UKT. All public HEI have the same treatment related to allocation of BOPTN and there is no discrimination. The government guarantees by BOPTN, education costs borne by the private (students) will become smaller and smaller. (Putusan No. 103/PUU-X/2012, p. 62)

## **5.6 The Effects of UKT Policy for the Financing of Public HEIs**

As discussed before, the law requires that public HEIs provide good higher education with no financial restrictions for students to attend public universities. There are two problems encountered in this policy. First, the government does not provide any direct funding to overturn the costs. The ministry does this through grants based more on performance.

Many chancellors in public HEIs stated that the grants did not cover their costs and are considered to be unfair (Ilham, 2015). There is a university in the western region that accepted 200 billion rupiahs (about 12 million pounds); on the other hand, there is a public university in the eastern region with 30,000 students and only 18 billion rupiahs (1.05 million pounds) (Ilham, 2015). Prof. Dr. Masjaya, chancellor of Mulawarman University and the representative of 29 public HEIs from the eastern region, said that that this policy meant that public HEIs in the eastern region were unable to improve their infrastructure, reduce lecturer-students ratios, and ground the production of research to a halt (Ilham, 2015).



1 Universitas Indonesia	Rp	226,790,370,292
2 Institut Teknologi Bandung	Rp	176,875,631,564
3 Universitas Gadjah Mada	Rp	170,137,806,596
4 Universitas Brawijaya	Rp	133,058,366,778
5 Institut Pertanian Bogor	Rp	105,176,345,152
6 Universitas Padjajaran	Rp	84,620,066,251
7 Universitas Hasanuddin	Rp	61,596,173,222
8 Institut Teknologi Sepuluh November	Rp	60,819,505,039
9 Universitas Airlangga	Rp	59,443,478,291
10 Universitas Sriwijaya	Rp	59,143,197,232

**Figure 6 Public HEI biggest recipient of grants (Afifah, 2013)**

There is an unequal distribution of grants allocation. From a total of 94 public HEIs, the top ten universities accounted for 42% of the total 2.7 trillion rupiahs (around £159 million GBP) of grants from the government. The top five accounted for 30% of the overall total.

The performance based grants are a popular policy for ensuring quality in the funding constraints, actively supported by the World Bank (World Bank, 2014a, 2010a, 2010b). However, this policy has a tendency to channel public funding away from less prestigious universities, which are more likely to provide higher education to less elite students, thereby negatively influencing both the quality of more marginal institutions and equity within the higher education system (Schendel and McCowan, 2016).

The second problem is that the government puts pressure on public HEIs to obtain world-class status. In 2018, in front of the public higher education leaders, President of Indonesia criticized management of public HEIs as the data showed only three public HEIs were included in 500 list of world rank (Kusumawardhani, 2018). He showed his dissatisfaction that after many decades only three public HEIs could obtain world-class status. In 2019 he also supported the idea of recruiting foreign rectors to manage public HEIs. Based on the President Chief of Staff, the idea was supported to create a competitive environment (Hendartyo, 2019). Competitiveness is seen as a need to support higher education as an agent of economic development.

The Ministry of Technology, Research and Higher Education (MoRTHE) also rank HEIs based on their performance since 2017 (MoRTHE, 2018). In 2019, they listed

new indicators of performance, such as the number of foreign lecturers, online learning, the percentage of graduates who secured a job lasting at least six months, the number of citations per lecturer, and the number of patents per lecturer. Thus, public HEIs need to compete both at the international and domestic level. The competition to pursue ranking that what Bok (2009) said prompt universities to maximize revenue.

## **5.7 The UKT Policy and the High Costs of Higher Education**

There seems to be an anomaly effect of the UKT policy for students. In theory it is a tool for the affordability of good quality higher education, but in reality, it shows that the system causes students to pay more in order to participate in higher education. Protests against the implementation of the UKT policy by students are frequent in many public HEIs. The Student Representative Council (BEM) in many public HEIs show that there are a lot of students who must drop out because of their inability to pay the tuition fees.

Aziz (2016) researched the implementation of the Single Tuition Fee (UKT) policy in Gadjah Mada University (UGM) from 2013-2015. He used a case study method with observation, documents, interviews and focus group discussions, as the means for data gathering. He concluded that as the result of the implementation of UKT policy, students needed to pay more than in past systems. He also concluded that it negatively affected students' rights to have access to higher education.

Bank Indonesia (the Bank of Indonesia) branch in Yogyakarta surveyed 650 respondents in 2016 (Idhom et al., 2017). Their results found that the implementation of UKT was partly responsible for the rise in costs to attend higher education in Yogyakarta in 2015 (idem). The research conducted by respondents from Tirta.id, a prestigious online news provider, also showed that all public HEIs in Yogyakarta raised their tuition fee rate every year (idem). The correspondents concluded that the UKT policy was a problem for students to participate in higher education. The president of Students Representative Council of UGM said that the demonstrations attended by thousands of students on 2 May 2016 and 2017 were

intended to protest the implementation of UKT policy (idem). Their main concerns were:

1. The unfairness of the university to ask that full tuition fees must be paid by students in the last year of study, while they could not attend any courses as their remaining condition to graduate was writing their final essay;
2. The difficulty for students to change their level based on changing financial circumstances for their parents.

Demonstrations of students rejecting the implementation of the UKT policy are a frequent event in almost every public HEI in Indonesia. However, the demonstration at Sriwijaya University took the headlines, as it ended with a violent action (Breakingnews.co.id, 2017). Before this demonstration, the President of Students Representative Council at Sriwijaya University had been reported already to the police by the university's Vice Chancellor. The reason for the report was a video in which the President asked students to burn down the main office of the university if their demand to reduce tuition fees was not granted (Puspita, 2017).



**Figure 7** Rejecting UKT, riot in Sriwijaya University (breakingnews.co.id, 2017)

The possibility of introducing higher fees was greatly restricted by the political context, as tuition fees remained politically unpopular (Pitman, 2015). A study

conducted by the World Bank (Carlson, 1992) noted that “political resistance to instituting or raising higher education tuition fees may be the greatest obstacle to public higher education finance reform” (p. 86). As one expert in cost-sharing, Paula Marcucci suggested that student demonstrations regarding tuition fees affecting the middle-class are often influential, violent and could lead to political unrest (Marcucci, 2013).

The rejection of the UKT policy can be seen as mostly coming from middle-class students. The reason for this is probably because they are the ones that are mostly affected by the policy. Most students report that they are in the highest level, whereas they believe that they are supposedly in the middle level. The rejection of tuition fees for the fifth year also comes from the students where institutions asked them to pay while they only wrote the paper for the final assignment and did not attend the class anymore.

Public HEIs have problems regarding their financing, especially the less prestigious ones. The students from the lower class have no problem, as they only pay insignificant or no tuition fees. There is an obligation based on law that every institution must recruit a minimum of 20% of students from low SES and rural areas. However, as the means-testing system has many flaws, so many high SES students have the privilege. The policy thus affects equity within higher education.

## **5.8 The UKT Policy and Means-Testing System**

The application of tuition fees in countries that applied for cost-sharing as their higher education policy most often comes with student aid. Johnstone, a well-known scholar who focuses on cost-sharing, provides ten different alternative forms of targeted governmental subsidisation. The first one directs grants based on the low income and/or assets of the family (i.e. means-tested) (Johnstone, 2006: 132). The UKT policy can be seen as an interventionist policy that fits this criterion.

Johnstone (2006) indicates two criteria needed for this kind of intervention to work, which are:

1. To be in a country that has a culture where parents are expected to participate in funding their children higher education expenses;
2. A workable and cost-effective means-testing system.

Indonesia appears to have no problem in regard to the first criterion. Parents are likely to financially support their children to access education. Most higher education providers in Indonesia are part of the private sector. Parents even willingly pay money as entrance 'donations' to public HEIs.

The obstacles occur with the second condition. Without a workable means-testing system, it is possible for the students who have the benefits from the financial aid are not disadvantaged students. This situation is seen in many studies of Asian and Sub-Saharan Africa countries (Levy and Kanwar, 2013; Pillay, 2013). As a developing country that has high corruption rates with a weak administration and legal system, there is a high chance that Indonesia fails to implement a financial mean-testing system effectively.

Runtung Sitepu, a chancellor of North Sumatra University (USU), said that there was a need to evaluate the implementation of the UKT system (Santoso, 2017). Based on the review, many students falsified their data to get lower tuition fees. USU planned to design a new organ that was tasked to review and verify the data of new students. Random sample surveys by Riau University also found that many of their students falsify their data and documents (Unri, 2017).

The survey requires a lot of money even only by sample method. The team needs to go to many cities in Indonesia. To undertake verification for every student is an impossible task, as Indonesia's particular geography means that students may come not only from other cities but from different islands. On the other hand, it is an easy task for any student to falsify their data and documents as Indonesia's public officials are ripe for corruption. The punishment also has not much deterrent for students as they are only expected to raise their fee to the highest level.

The arising problem is whether public HEIs have concerns about students who falsify their data to get the lowest or middle or no tuition fees. It is quite

expensive for universities to do the survey. On the other hand, they also need a minimum number of students from low SES. Meanwhile to maintain quality to get more grants, it is imperative that the low SES students also have good merit. It is not important for the university to provide rigid checks regarding students from low SES. What they need is to make sure that the students that pay the low-level fee are not too many so it would reduce the revenue. They only need to limit the number.

## 5.9 Conclusion

Outcomes of policy debates and reforms of higher education finance have often been determined by non-economic factors and issues.... There has been a growing recognition, not only among economists..., but also among policy makers, politicians, and donor and international agencies, that administrative and implementation issues can be crucial in determining the success or failure of tuition fees or student loans". (Woodhall, 2007, p. 46).

It can thus be understood that from the perspective of policy, the objectives that the UKT needs to achieve are:

1. Funding as responsibility for the whole community, including the poor who should pay low or zero tuition fees and get a significant subsidy from the government by BOPTN;
2. Funding as the responsibility of individuals where the rich need to pay high tuition fees with low or zero-subsidies;
3. HEI as an agent of economic development where they get enough funding in the form of BKT;
4. HEI still act as an agent of social justice where students from low SES pay low tuition fees with significant subsidies from the government so that education can be the right of all citizens;
5. Widening participation can be a means for competitive advantage with enough funding by providing BKT;
6. Widening participation can be an act of social inclusion with the allocation of a minimum 20 % of students from low SES, and provide a Mandiri path for the purpose.

In practice, the government is more inclined to achieve its objectives related to a competitive approach that needs large funding, while unable to put the needed funding aside to achieve this objective. On the other hand, pressure from students limits their ability to get funding both from demonstration and inability to assess the socio-economic status. The objectives of policy create a paradox regarding 'how to treat all citizens alike in their claims on government, and how at the same time to be responsive to the individual case when appropriate' (Lipsky, 2010, p. xii). There is also a lack of resources, while the institution puts on 'close budgetary scrutiny and thus become the targets of the taxpayers' revolt' (idem, p. 39) on any diversion of action or rule compared to what is written within the policy text. The conditions of the institution have a pressure similar to Lipsky's (2010) contentions regarding the individual level in his theoretical work. In the next chapter, I want to present the findings related to coping strategies used by institutions, based on my interviews with administrators, lecturers and students.

## Chapter 6 Presentation of Findings

### 6.1 Introduction

This chapter presents an analysis of the data produced through recorded and unrecorded (writing on note) semi-structured interviews, on how the new policy is being implemented at Indonesian public HEIs. The chapter begins with general information on the study's participants, and then goes on to present cross-case analysis investigating the three public HEIs that constitute part of this study. The cross-case analysis reports on themes that have emerged as salient across the programs. After, I will present strategies that were implemented in each case regarding the UKT. Throughout the chapter, examples of the participants' ideas are presented in their own words through the use of direct quotes from their discussions with the researcher.

Participants have been assigned codes which allow them to remain anonymous but enable their institutional affiliation and job categorisation to be identified. For example, SAU<sub>1</sub> denotes senior administrator number one from University; LP<sub>2</sub> denotes academic member number two from Polytechnic; SP<sub>2</sub> denotes Students number two from Polytechnic; and AS<sub>4</sub> denotes Administrator Staff member number four from School of Arts. Any direct quotes from participants used to support the results of this study will be followed by their functional code.

### 6.2 Participants

Participants in the study consist of 32 members of three public HEIs. The participants have been categorised into four broad groups that describe their role at their university. Of the 32 participants, six are described as senior administrators who have authority to create policy, six are full-time academic members, 15 are employed as administrators from various roles in the university, and five students. The table 1 below illustrates this participant breakdown by role categorisation. The boundaries between the role categories are not clear in the academics' member and senior administrator. In fact, all of the senior administrators were, at the time of the study, usually coming from academic



members in all of the public HEIs in Indonesia. The academics that I interviewed also have administrative roles, but no direct power in creating policies such as IT, PR, head of study programme, senate member (faculty representative in academics senate) and internal financial auditor. I have confusion on which category I need to put IT administrators. They create software with deep connection with UKT allocation and financial system policy creation. The IT department at the University even creates programs that do Monte Carlo simulation, making sets for how much revenue parents are allocated for certain UKT levels. Both IT administrators are also academic members who create database programs that perform UKT level allocation. However, both do not undertake the policy creation, but take a more auxiliary role based on their own admission, which is why they remain categorised as academic members.

**Table 1 Respondent from sample institutions**

No	Description	UNIVERSITY	POLYTECHNIC	SCHOOL OF ARTS
1	Senior Administrator	2	2	2
2	Administrator Staff	4	5	6
3	Academics Member	2	2	2
4	Students	2	1	2
Total		10	10	12

Administration staff is composed of educational supporting staff in the universities, from various roles such as treasurer, accounting, student affairs department, PR, academic affairs department and college administration.

### **6.3 Funding**

The basis for the UKT system is higher education law no 12/2012, which states that the ratification seeks:

To achieve affordability and fair equality to participate in good quality higher education and relevance with the public interest for development, self-reliance and welfare, it is necessary to plan higher education in a planned, guided and sustainable way considering the demography and geography.

To obtain high quality education, the government, based on the law no 12/2012 section 88, mandated that:

- 1) Periodically, the ministry calculates standard operational cost (BKT) of study in higher education with consideration of:
  - a. Achievement in National Higher Education Accreditations;
  - b. Study Programs variety; and
  - c. Regional expensiveness index.
- 2) The BKT as referred above must be applied as the basis for directing allocation of government's budget to public higher education institutions.
- 3) Tuition fee collected by universities must be based on that BKT.
- 4) Tuition fee imposed upon students must be accustomed to the financial ability of people who pay for their study.

Based on the above law, the government created BKT as a standard costing for each student per semester. The government created BKT by asking all public HEIs to submit their cost structure analysis (CSA) to the ministry. Based on the data of the CSA, the ministry calculated BKT for each public HEI. BKT does not include building costs and salaries of civil servants at public HEIs.

Based on the BKT imposed on them, public HEIs created their UKT - their tuition fees for students. There is a need to emphasise the single tuition fee within the regulation, because in the past, public HEI imposed a low tuition fee but the students needed to pay a number of additional fees including laboratory cost, graduation and many more. From the first regulation by the ministry, public HEIs were forbade to impose any other fees on students; however, in the newest regulation, they (public HEIs) can impose a one-time additional fee on students admitted through the Mandiri path, in the form of an entrance fee and a fee for field practice. However, the UKT itself is not a one-time fee for all students; rather there are levels. Students from high SES need to pay higher fees than students from low SES. There are 5 to 8 levels to UKT at each university. The difference between the UKT paid by students at each level, and BKT paid by government grants called BOPTN, are based on the initial framework outlined by the ministry, as shown by this diagram from the Ministry of Education press release when introducing UKT policy.

Based on the initial framework, the income from universities do not differ much, regardless of what level of tuition fees are paid by students. The government will

cover the differences in tuition fees (UKT) and the standard cost (BKT). Based on the law 12/2012 section 88 above, the government also undertakes a review of BKT periodically in order to adjust the expensiveness index and the accreditation of the university.

### **6.3.1 Benefits for Funding**

Administrators at the sample HEIs included in the study believe that the UKT policy has benefited their institution both administratively and financially. They believe that this policy has resulted in not only better funding, but also most importantly a better administrative system. The argument for the achievement of the UKT policy has several interconnecting benefits, which will now be examined.

#### **6.3.1.1 The Simplification of System**

Participants as a whole like the UKT and the need for students to pay only one fee. The UKT is a big help for all of the finance officers at the Polytechnic and the University. The beauty of the UKT is the simplification, they agreed. Here is one response from a financial administrator at the Polytechnic:

It is a simplification of a process. In the past, we had a lot of fees. SPP (tuition fees), donations, a lot of things, from even library to graduation, which makes it hard for us to do the clerical work and administration. (AP1)

A revenue treasurer at the University shared a similar reply: “There are 20 items. The complexity is not for the students but for us, the management, because we have a lot to record and calculate.” (AU1). He also elaborated that it had become a big task to allocate funding, as they have too many funding sources and the fund needed to be allocated to a lot of units who have the right to the money. It is not only a big task, but also a hassle at the University and the Polytechnic when there are too many fees imposed on students. There are many conflicts, as much revenue becomes unknown. They do not know the rightful owners of many money transfers. The difficulty in tracking also made them late to allocate the money to the users.

The problem attempting to be solved at the School of Arts is quite different. Unlike other institutions, it does not operate a centralised revenue collection and pays through a non-banking system. Planning staff at the School of Arts stated that it

is easier to record the revenue (AS2). In the past, it was usual for study programs to ask for additional fees from students, which went unreported to the finance department. Therefore, it made their revenue seem lower. The most interesting story at the School of Arts was told by a financial officer anonymously, that their revenue doubled in a year because of centralisation, and as the impact of all revenue directly deposited by students, they have doubled it again without any increase in students' numbers. The Vice Rector 2 at the School of Arts also stated:

In the 3 years I've worked here, I've tried to digitalise the tuition fees [payment], we do online. Before 2016, we did this manually, and now directly to BRIVA [name of online payment system by a national bank]. After realising it goes directly to BRIVA, the nominal value transformation is very significant. We know now the SPP number of any student, but in the past, we did not know who had how much. In the past, to get 2.5 billion was difficult. After BRIVA, we can get 4.3 billion. (SAS1)

She gives a hint that there has been a big impact of the UKT in eliminating the embezzlement in revenue, as without it, the many items of revenue make it difficult for them to centralise revenue to the bank directly.

SAS1 implied that the UKT has a significant impact as a revenue generator, stating that:

In correlation with the tuition fee, 2013 was the start of the UKT. However, we do not do the UKT fully by level. All the students pay 1.25 million (about £65) if I am not wrong, then it increased to 1.5 million (about £80). In 2016 we started the level. (SAS1)

In here, she suggested that there is a discretion for public HEI in implementation of UKT. The government does not monitor the application of UKT policy.

In other conversations she stated that they have a revenue of about Rp.9 billion (about £4.8 million) in 2018, which meant that the revenue had increased again twofold because of UKT. In other samples, institutions also reported that they generated more revenue after UKT implementation. The treasurer (AU1) at the University also reported: "Compared with tuition fees at University in the past, the increase (tuition fees after UKT) is very significant." This view was also echoed by the Secretary of Senate, and a Lecturer at the Polytechnic - that the UKT helped them to secure more revenue. All of these results show that the UKT promised in the Constitutional Court documents that would not make public HEIs depend on tuition fees failed to put in practice.

Administrator staff at the Polytechnic and School of Arts contested the impact of the UKT to generate more revenue. The Treasurer at the Polytechnic said that:

In truth, I cannot determine that the UKT can be a source of increase because of the number of students. If we take a look at which is bigger, of course it must be much bigger. However, we never do the calculation of the additional funds as UKT related. On the other hand, the number of students grows every year, which of course increases the realisation (of revenue). (AP2)

It is also suggested by planning staff at the School of Arts that the number of students increased from before, so it is difficult to accurately calculate, as they do not do the analysis themselves (AS2). However, the participants overall demonstrated a trend that they are increasingly less dependent on government funding after UKT implementation, especially at the Polytechnic. As AP1 put it: “We reach 55-65 percent, so our revenue from students can reach 60% of all funding in a year”. Participants at other institutions, including both senior administrators and administrator staff, confirmed that financing from the government decreased (if not remained static) over the last few years, while at the same time they have higher rates of revenue from students.

### **6.3.1.2 Provider of Research Funding**

Turning now to the impact of excess funding from UKT, one of the main themes of the benefits is for research, especially at the Polytechnic. A lecturer at the Polytechnic shared his view that the implementation of “expensive” UKT at his institution gave the opportunity for all of faculties to get funding for their research. He stated that:

Everyone gets research funding, as we also provide remuneration... Now, there is UKT and BLU, as incentives, but I can assure you that everyone has research... Without research, the faculty can be said to be unproductive. They cannot get remuneration. Besides that, we also provide funding for books published... This is one of the benefits of UKT and BLU. The negative effect is the students need to pay expensive UKT in a year. (LP1)

LP1 suggested that the tuition fee paid by the students is also used by the Polytechnic for funding research and books publication. This comment also suggested that the expensive tuition fee in Polytechnic is also due to a need of the institution to make sure that every faculty can do research studies.

At the other two institutions, the increase of funding for research was also reported; however, it was not as good. At the University, the problem lies with the inability for academic members from the social sciences to compete for funding with academics from STEM study programs. Meanwhile, at the School of Arts, there was a boost in funding, but the numbers are still not significant as they did not have a lot of revenue to begin with. Besides that, as with many arts majors, many lecturers are performers or artists who have no capabilities or willingness to research.

Returning to the excess of funding from the UKT, sample institutions reported that funding is used mostly for supplies for educational activities. Both the University and Polytechnic reported that they use the funding for equipment appropriation. Only at the Polytechnic is the funding used to build new buildings. On the other hand, the excess funding at the School of Art only provides funding for more arts practices.

Overall, these results suggest that UKT provides benefits through additional funding from students. However, all of the institutions are still facing a severe lack of funding. The next section will introduce how they only get benefits from one side of the UKT policy, which is the ability to collect multiple levels of fees from students. The BKT has no function and even becomes a barrier, while the BOPTN allocation is not based on the initial formula. Besides, despite the rise in costs, the public HEI forbid raising the fee. The lack of funding that many administrators believe do not only affect the quality of education, but it also creates friction.

The benefit of UKT only suggested by the participants that have knowledge, are willing to talk and the ones who are directly involved in financing, while the other participants are unwilling to answer because they do not know the numbers. Meanwhile, on the lack of funding, almost all of participants were willing to give their opinion. They spoke of many problems that challenged them because of a lack of funding. The following sections address the problems that emerged as another common subtheme.

### 6.3.2 The Problem of Funding Adequacy with UKT

In the past, the formula is BKT equal to UKT plus BOPTN. But in reality, BOPTN (allocation) does not look like that. That I (top public university) have a revenue reaching 2 trillion (about £110 million), surprisingly the BOPTN for them is 300 billion (about £16 million). How? University with a revenue of only 400 (billion), but BOPTN is only 56 (billion), so [laughs] (LU1)

Concerns were expressed about the other element of UKT policy, which are BKT and BOPTN. As based on the initial law, public HEIs were ordered to eliminate all of their fees to students' bar one, the tuition fee in the form of UKT. Besides that, public HEIs demanded levels in their tuition fees, charged with consideration for the socio-economic status of students. The lowest two levels of tuition fees even set by the government are zero to Rp500,000 (about £27) and Rp500,000-Rp1,000,000 (about £55) regardless how much the cost. Based on the ministry's promise, the gap between what students pay and the BKT (the ideal cost calculated by the ministry) will be covered by BOPTN. In practice, there is no realisation of this promise. In addition, there is a discrimination reported by many respondents. Government allocated most of BOPTN to small number elite public HEIs.

#### 6.3.2.1 Inadequate grants

Protest regarding how to calculate BOPTN is a more common theme regarding the dissatisfaction of this policy. Participants criticised that there was no transparency from the ministry on how the BOPTN that they received was calculated. The financial administrator and senior administrators from sample institutions said they only received the sum of BOPTN without any explanation why it was not conformed with the initial promise. They were confused and annoyed for not getting answers from the ministry. The treasurer at the University even mocked it and called it an insignificant part of funding:

The numbers have not changed since 2013. Even when our students increase, it is just like that. How is the calculation made that we do not know; how to get a higher BOPTN? We just receive it like that. In the beginning our team also asked why we got that much. The ministry did not give an explanation... BOPTN is only a small part of the funding. Mostly for additional funding for student activity. Like sending delegations for competition and also character-building activities for students. (AU2)

She also expressed her irritated mood on this. She conveyed that the ministry treated them as a ‘beggar’ who needed help. The university only had to accept the help without giving any complaints or questions as the party who was being helped.

This mockery was also shared by a treasurer at the Polytechnic:

We cannot raise the UKT while our operational costs always rise... [Laughs]. My feeling is that the BOPTN has no influence. The funny thing is that the auditors always ask me about the UKT, BKT and BOPTN. I cannot answer (them) because I do not know the connection. I had read the regulation that BKT is UKT plus BOPTN [laughs]. But I do not pay attention to it. My feeling is that we do not calculate it by that. BOPTN is negligible. (AP2)

There is a probability that the calculation of BOPTN allocation does not use any formula. This assertion comes from the fact that the auditors who audited the financial reports for the ministry had repeatedly asked the staff in the public HEIs how to calculate the BOPTN. It is likely that the auditors do not believe the answer from the ministry on many audits. Furthermore, they cannot get a satisfactory answer for this question from anyone. In addition, the public HEIs feel high pressure on the need of funding. There is a kind of plea to let them raise the UKT.

These views surfaced mainly in relation to questions about BOPTN. Some participants also expressed the opinion that the government does not have enough money to pay for the grants, with reasons such as too much debt, political funding, and low tax revenue.

### **6.3.2.2 The policy with no meaning**

Regarding BKT, there was a sense among participants that it is only a policy on paper, not really the “ideal” cost that supposedly it fulfils. In addition, BKT is not receive any attention from ministry:

I do not think anyone can give an explanation about it (BKT) now. Who can explain it? In the Ministry, which forum ever talks about BKT; no, it just surfaced like that [Note: even though the regulation on BKT has been already updated a few times, the number is not different]. (SAU1)

SAU<sub>1</sub> states that the BKT is supposedly the minimum standard cost for the public HEIs to educate the students who are able to compete in the global labour market.



However, grants (BOPTN) received from the government do not really cover the difference between the standard cost (BKT) minus tuition fee (UKT), as stated in policy papers. The BKT itself had not been used in any discussion of budgeting or calculations for obtaining the grants from the government. He was even suspicious that no one in the Ministry knows how the numbers are calculated. However, at the same time, the government asks public HEIs for ideal performances of the delivery of education based on a standard cost (BKT). In order to reach the performance mandated, SAU<sub>1</sub> said it must work harder to maximise revenue. He suggested in the interview that many public HEIs must sell places for admission because they lack funding and have pressure from the government in regard to the world-ranking.

The Secretary of the academic senate at Polytechnic responded regarding the positive of the UKT with the explanation that it helped the public HEIs when the government did not have the funding. This statement implies that the UKT policy acts as a tool for institutions to collect more revenue from students (SAP<sub>2</sub>). Likewise, the planning staff at the School of Arts also conveyed the need to maximise revenue from students as a response to a breaching of the initial promise of government:

The subsidies from the government do not reach the initial promise. There is a guarantee from the government to cover the deficiency and the difference. That is not what we get. We receive only a small part and we must use it efficiently. Our ideals give an optimal service, but in reality, we must fit it to a budget, the budget we have. Whereas our costs are much more than our revenue. We have revenue only from UKT, there is nothing else. (AS2)

These statements indicated that the government breached the promises made in the Constitutional Court. The promise was related to the UKT that would not increase the tuition fee paid by the students and control the commercialization made by public HEIs.

### **6.3.2.3 Limited revenue source**

However, the School supposedly has other sources of revenue. The head of the planning department at the School of Arts said that they receive a payment of invitation from a lot of institutions for performances; however, she insists that it

cannot be recorded as revenue because if it is, it must be fully deposited to the government treasury. She said:

There is payment from them [the invitee for arts performance], (however we) not paid (the money to treasury), is not it (wrong)? Because (if we paid to the treasury in School of Arts), revenue must be deposited to the government treasury. If it is deposited, then how can I give it (money) to them? We cannot do (arts performance) instantly but (we) must do (a lot of) modification, (a lot of) drilling before the (arts performance) time. (AS1)

She suggested that without money, they cannot even have transportation for the performer. The payment to the performers is not as high as salary as it is only used as reimbursement. The performers have expenses like makeup for traditional dance performance. This makeup is sometimes quite complicated and needs a lot of cosmetics. Sometimes, the performers also need to rent the dress and instruments. There is also revenue from collaboration performance. However, she said that the money would only cover the operational cost. This answer suggested that there is indeed commercialization in public HEI even without autonomy given by the government. The action by the government to forbid it only causes the commercial action unreported and underutilized.

The difficulty to get other revenue as prohibited by law was also reported by the Secretary of academic senate at the Polytechnic:

We are not like PTN-BH, they can make a company; we are not... If private like UM, they can make a mechanic shop or others that can give [financial] support. We cannot do it. B [a neighbouring public university] have had a hotel in the past - it was quite successful - but it closed as it was forbidden [by the ministry], because it is not for education. They cannot commercialise it as it can only be used as educational support for a hotel major. (SAP2)

There is a quite dissatisfaction on the rule and such discrimination done by the government. It also suggests that the public HEIs need the commercialization to improve the revenue. The revenue can be used to help students in need, increase the quality of education and reduce the tuition fee paid by the students (SAP2).

Participants at the University also confirm the statement, that it is difficult for them to find other sources of revenue, and that the only source that can be used comes from students. Even though the University finds revenue from collaboration, it costs too. Furthermore, all institutions display envy regarding

public HEIs that become PTN-BH, as they not only are top universities that can ask for bigger tuition fees from students, but also have the right to revenue from other sources besides student fees.

#### **6.3.2.4 The pursuit of prestige as a burden**

Turning now to research funding, there is one interesting phenomena, as participants hinted that subsidies from the government decreased in all other aspects, but funding for research took a big leap. Public HEIs were also pushed to spend more of their revenue on research, whereas the BLU unit of public HEIs were even obliged to spend a minimum of 20% of their revenue on funding research. Opinions from participants showed that the big increase from the government to provide funding for research at public HEIs was the reason for international recognition. The government also imposes lecturers who must have international journals for acknowledgement, and a requisite for faculties to have better official rank and salary.

The reason for a big push towards research is not for the enhancement of faculty but for rank recognition. The rationale of the government is that good university rankings with big research impacts give the signal that students will graduate from the institution with better human capital competitiveness. In the end, the research and thus the government funding is more inclined towards publishing journals, and less about the impact on local communities in Indonesia.

The push for international recognition and international journal publishing is a big burden for public HEIs, as one lecturer at the University stated:

I did the comparison, but not with any deep agenda! I read that Russia (government), “Russia (HEIs) want to be equal with America (HEIs)”. The universities, 10 of them, are fully supported by the government's trillion rupiahs (billions pound), for their budget to enter the world rankings. However, it (the need of funding) is like that, if we are lured to (compete) in Scopus (research result impact factor) regime, and sorry, (compete to chase) world ranking regime, we must follow the rule play... The cost (for winning the competition) is high, very high. (LU1)

#### **6.3.2.5 Equity versus funding**

The burden for public HEIs also increased as participants at the institutions reported that revenue-drawing maximisation is not an easy task. The biggest

problem lies in the instrument to judge the socio-economic status of the students. It is quite difficult to reach the real economic condition of students, as there is a tendency for students to fabricate the condition. A lecturer who is also the IT administrator at the University shared his experiences on the subject:

We have an automatic system. I create applications that automatically allocate UKT levels based on the data presented by students. Our system gives the option for students to pay or refute. [If they refute] they give a schedule for an interview. We look at the aspirations of parents and students and are not strict with our created formula. When there is force majeure, the formula cannot solve it. (LU2)

The university has understanding that the need itself cannot be defined based on the formula only. Thus, they hold interviews as a way for parents who have difficulty with the UKT level. However, it creates a big problem when there are too many parents who pretend to be poor just to be admitted. There are 7000 applicants annually. It creates a big burden for staff in the University. It also stretched the financial of University by increasing the cost and source for students in procrastinating to pay for the tuition fee.

At the Polytechnic, the same was happening, as the Vice Director contends:

There are indications that it (falsification) is happening. We have one interviewer, so she is very capable and understands the characteristics of the people who ask for the waiver. In her room there will be quotes on the wall like, 'If you are rich but you pretend to be poor, then God will make you become real poor' ... The fact shows that after reading the quotes, (many of them are) able to pay UKT at the high level. (SAP1)

This comment showed how peculiar people from Indonesia are. The Vice Director implied that people dared to break the law by trying to cheat. They can be discouraged due to being religiously afraid of God's punishment.

The subsection chief in the academic affairs at the Polytechnic even stated that she cannot believe the legal data presented by students:

It is difficult. It is like the hospital problem now, the key problem why many people cheat (their financial condition) lies in the county office. There is dishonesty that makes it (National Health Insurance) break down. The letter of poor condition is easy to get, you just need to

pay... How can the rich ask for National Health Insurance [for free]?  
National Health Insurance is bankrupt now<sup>5</sup>. (AP5)

The legal document used as a proof of revenue for people who work as entrepreneurs comes from the county office. At all sampled institutions, informants complained that the data in the letter is easy to be falsified or not accurate, and so it hindered their ability to assess the economic conditions of students based on documents only; whereas it is too expensive if they do a direct survey.

The extreme conditions were shown by the School of Art, as planning staff stated that almost all new students asked to get the lowest tuition fee (AS<sub>2</sub>). They can only accept a small number of applicants. There is thus a need for cross-subsidy so a lot of students could pay the highest tuition fee for subsidized the students who pay the lowest. The students with the lowest tuition fees cannot cover the cost to deliver the education to them. He also criticized that if the BOPTN do the function, the School of Arts does not need to limit the admission of students from low SES.

In contrast to these assertions, the senior advisor at the University also presented other cases. He believes that the number of students that falsify is small. Therefore, the institution must pay attention to students that face peer pressure. As the students fill in their data collectively, many low SES students are ashamed to fill the low income of their parents as their peers might know that they are poor. He prefers for institutions to pay attention to these cases more, as they have an impact on the future of the students; rather than to make harsher policies to exclude the ones who falsify their data. Here, there is a dilemma for the institution to choose in providing good service to all or providing attention to special individual needs. This topic will be discussed more in the following sections.

In summary, participants in all three cases admitted serious problems with the funding. Even though there is higher revenue from students, it is still not enough. As a lecturer at the University noted - also as head of the study programme - their

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<sup>5</sup> At the time of the interview, the media was reporting that National Health Insurance could not pay a lot of invoices from many hospitals as they ran out of funds.

study program is elite enough to get higher revenues from students. However, their costs are only about 60% of BKT for their study programs. This BKT value has not been updated since 2013. He also added that most of his colleagues have much lower funding allocation. His study program got 600 million rupiahs (about £ 32 thousand) in a year while a lot of others only gets about 40 to 50 million rupiahs (about £2100-£2700). At the Polytechnic, the treasurer and the accounting staff reported that most students pay grade 3 in tuition fees, which is about a quarter of their BKT. At the School of Arts, the planning staff and lecturer (also the IT administrator) reported that most students only pay a quarter of their BKT. There is a consensus among participants that their costs for teaching delivery is much lower than BKT as constituted by the government's regulation, which is the ideal cost created in 2013. The next section discusses the last sub theme related to funding: the effects from a lack of funding.

### **6.3.3 The Effects from A Lack of Funding**

In their response to the lack of funding, most administrators begin from the assumption that there is chronic lack of funding. Thus, the funding is mainly used for fulfilling performances that they have promised to the Ministry. That being so, funding allocation is based on a purely pragmatic point of view, if one wishes to get funding, and connected to contribution to activities that have a bigger relation to finishing the performance. The performance itself is part of the performance-based funding system. Every public institution in Indonesia must promise tasks they need to fulfil when they ask for a budget from the government.

#### **6.3.3.1 Neglecting extracurricular activity**

There are many problems due to a lack of funding. However, a lack of funding for extracurricular activities is a problem that most participants mentioned. For the Vice Director of the Polytechnic, the problem regarding extracurricular activity is twofold. The first problem is regarding priority (also shared by other institutions). The staff in the student affairs department gave confirmation that the funding was only provided to activities that have connection with national competitions such as Robotic competition. AP<sub>4</sub> states that the funding is not enough, especially for student activities. He said that the Vice Director has funding, the only allocation for national competition that every public HEI must involve, like robotic

or accounting competition. Polytechnic has students paid most of the funding needed for any students' activities.

The Vice Director provided his own explanation:

It is about competency; the funding will always be provided... So, we try to push for this path. But for the activities related to hobbies, correlated with UKM's [students activity unit] activity or other common organisations, we will have to increase but do not ask why it is only this much for now... We must do by priority as the funding is not enough. At the polytechnic level, we are the highest [in funding and revenue] but if compared with universities like our neighbour, we are far below. (SAP1)

He perceived that the funding for competitions that can be competencies shown off related to industry or sophisticated technology in national or international level would always be provided. The students who are able to participate in these competitions only need to provide the calculation of the cost, then the Polytechnic would provide the funding directly. Polytechnics choose to prioritize fame brought in by competition instead of better extracurricular activities for their students. However, the management in the Polytechnic could not be blamed as the government evaluates the performance of the institution based on how many times the students participate in a prestigious completion not on the extracurricular activities done by the students.

The administrators in the department of students' affairs department at the University do not want to be interviewed. Their refusal to participate is that they are involved in the management of the UKT in the university and they believe they have power to neither change nor modify the policy. However, in my records, based on conversations with one of the administrators, he also confirmed that funding for activities were only prioritised for competitions assigned to them by the central office. The lecturer and cost treasurer at the University also said that the funding provided related to competition funding (LU1 and AU2).

At the School of Art there is no funding provided for competitions. The staff in the student affairs department at the School of Arts also noted that the funding for activities is not enough:

Last year it was about Rp16 million (about £850), but this year it increased to become Rp17 million (about £900). If they want to do an event that involves external [people], we in the school have a budget

rating: for one event there is about 50 million (about £2700). They must fund them (students' activities) by their own (money) mostly. We say that this is only for encouragement, call it a stimulus fund. (AS<sub>s</sub>)

The comment above shows how the budget for students' extracurricular activities is considered as less important for the School of Arts. However, the funding for one event held by administrators can be higher three times than the budget for a student activity unit.

Although the government implemented a single tuition fee, all of the institutions make clear that students need to pay extra. They need to pay for their extracurricular activities that sometimes can be very important for their development as human beings and as human capital. With a lack of funding, the Polytechnic and University choose to maximise their funding impacts in creating the best portfolio for their accreditation, which are the competition winnings in national competitions. Meanwhile, the School of Arts ignored their extracurricular experience and let the students be responsible for the funding if they want to have the extracurricular activity.

The second problem regarding extracurricular activities is unique to the Polytechnic said by Vice Director:

As you know we are not ideal. Their time is very tight because they must give lectures and also do research. There is not much time to do extra. Faculty must lecture from morning until 9pm at night. (SAP1)

The workload of lecturers is large in Polytechnic. Both the Vice Director and Secretary of the Senate said they have administrative duties. Based on the regulations, they only have duties to teach a few hours in a week. However, they must do more than 10 hours conducting research in a week. Other academics must do on average 30 hours a week. That is the time for them to lecture, not including preparation and other academic duties. The workload is so high to maximise the revenue from students and also to increase the gross enrolment ratio duty, with the Ministry pushing the Polytechnic to accept as many students as they can.

The head of the student body at the Polytechnic gave confirmation to the assertion. They must also do the classes until night so that they have no time to do other activities:



Even though the Director said that we must win in PIMNAS (National Students Science Event) and PKM (Students Creativity Program), but on our time... The class starts from morning to night. The night can reach 9 PM. The need to attend class until night also affects our student activities. For example, if we want to participate in competitions or organisations, (learning) activity becomes hampered. (SP).

Besides that, he complained that faculties do not provide any remedial test for students. Every time students participate in the competition; it results in bad grades as they cannot attend classes and it cannot be changed. Therefore, the students are put in the dilemma of whether to be active in extracurricular activities. The

Consequently, students also reported that there are no dedicated counsellors for them. There are not many faculties that want to be counsellors and provide enough time to give them counselling. There are only a few willing to do it, and it is impossible to serve 3,000 students. Most of the time, the students must do it by themselves. He also conveys the enviousness to their neighbour, a public university that has a large budget and it is known to collect a high entrance fee for the applicants admitted through Mandiri path. The university also assigned their professors to be the counsellors for their students' extracurricular activities.

### **6.3.3.2 The shabby infrastructure**

The second main problem that affects public HEIs due to the lack of funding is infrastructure. In the infrastructure part, the University has better conditions than both the Polytechnic and School of Arts, as they do not have a problem of a lack of classroom and space. The problem of classroom and space is quite a big problem in the other two institutions, as head of student council in Polytechnic notes:

They have excuses, a lack of physical facilities, and buildings for education supporting facilities like classrooms... Our class is based on one classroom with a partition to make two. Yes, from him [the Director] with students' numbers of 2000, and still getting recommendations from Dikti [the ministry] to take more students. We are told to add more with the pretext of 'widening participation'. (SP)

The comments by this respondent highlighted the government put pressure on public HEI for widening access. It was noticeable that the government asked the

public HEI in increasing places available but did not provide the funding. A student at the School of Arts also reported a lack of room:

For the facilities, this is [not provided] a lot. Sometimes for practice we have no room to use. There are some facilities that the campus does not have. Classroom facilities lack the most. (SS2)

The lack of classrooms and space at the School of Arts means that many students must practice in the yards after work hours, which adds costs to the school. However, the biggest problem is not the cost but how the lack of room creates tension between students. As an administrator in School of Arts said:

A lack of buildings creates friction. Fine arts have a theoretical class, while in the other room, the gamelan (*karawitan*'s music instrument) also has theoretical class but with instruments. The fine arts students cannot hear the lecture because of the noise... In the end, the fine arts students took revenge by using their carpentry tools to practice in front of their class, which of course meant that the gamelan cannot be played. (AS1)

The *karawitan* [traditional music arts] major cannot stop the disturbance because there is no sound-proof classroom. It is also not possible for the *karawitan* students to learn the subject theoretically only without using any instrument. To show their protest, the students from the fine arts would purposefully and noisily use their carpentry tools. The *karawitan* students who were practicing would of course be distracted and had to stop their rehearsal. The conflict between the students is then inevitable and it brings disturbance on their learning process.

### 6.3.3.3 Conflict in institutions

BKT and BOPTN remain relatively unknown, and critique is shown to the institutions that do not do the job right, without knowing that it is the government that does not fulfil their promise. The blame is put on the institution, even from inside. AS<sub>6</sub> critiques the impact of the lack of funding on the quality of education:

Yes, that is why our students do not develop well... The UKT calculation is not mathematically wise, I think the UKT (calculation) is not wise... First, the quality of services provided to students is not good... Learning, like this, the condition of the [class]room like this... the chair is broken and uncomfortable. In my opinion, if everything is based on (good calculation of) UKT (to provide enough funding) then everything is supposedly comfortable, the road is smooth like the highway. (AS6)

The comment above shows how the lack of funding puts dissatisfaction on the management of the institution. The staff is not familiar with the function of BKT and BOPTN. In other sample institutions, many participating administrators also show that they have no knowledge about the BKT and BOPTN.

The critique related on funding is also made by students at the Polytechnic and the University. SP even said a few times that the facilities offered by the Polytechnic are not worth the fee he paid:

Facilities for self-study are lacking, for those at the Polytechnic who tend to do lab[work]... I do work in the workstation, and the equipment is still the same from this institution founded. Every time we meet with the Students Committee [and Faculty], we always ask for an equipment upgrade... We (also) use the equipment made by our seniors [Laughs]. It (the service) is not worthwhile (of the fee paid). (SP)

The student also condemned that the quality of practice tools affected his competency. In a real workplace, he said that his competency would not be useful. There are resentments from students not only on the facility provided by the institution but also on the return of their 'big investment' in education from the tuition fee they paid.

The students from the University have a similar critique, that the students at the higher level pay too much money while receiving mediocre facilities and equipment:

In the agricultural college we have different facilities across campuses. In our [class]room we have no air conditioner. Even though [students] paid UKT 5 million (about £270) to 9 million (about £490), that [a lack of facilities] is one that many students feel deficient in especially those who paid 9 million would feel, "I already paid a lot of UKT, but the facilities are like this. (SU1)

It indicated that the public HEIs that make the students as their customer became a real problem. As a customer who paid a large sum of money, many students from high SES expected to have better service and facilities. On the other hand, the institutions failed to do this because the tuition fee the wealthy students paid was used to subsidize the students who paid the low tuition fee.

The lack of knowledge of BKT and BOPTN creates problems at the School of Arts and University. Students rejected the UKT policy by demonstration. The problem

is not too big at the University. However, the tension at the School of Arts is quite substantial. Students at the School of Arts often demonstrate to reject UKT, and even demonstrated when the Bank cooperated with the School for tuition fee payments, to put a transfer charge of about Rp 3,500 (about 20 pence), as they believe it is part of the commodification of education. The students even created a secret society. A student told me:

There are many students that know about UKT. Here, we have M Alliance, a student's group...to fight the uncertainty of the institution. We fight, by using demonstrations or other actions. They try to ask us about it (UKT). (SS1)

This alliance did their protests mostly underground, as a senior administrator at the School of Arts explained:

There are grievances, to put posters up etc that tell the Rector, "We suffer, why the UKT exists." It's like those (other) venting pamphlets that no one knows who put them. I already asked the student body and other student organisations; [they answer] "We do not know". (SAS2)

The basic idea of the rejection of UKT from students is part of the understanding that the institution misused the policy to obtain more funding from students. Meanwhile, the problem lies in the inability for the government to provide BOPTN to the number of BKT. In the end, the subsidies become cross-subsidies between students in the higher levels to students in lower levels. As the students in the lower two levels are already set by the government on the fee they need to pay, the number must reach a minimum 20% of total students. The subsidy for one student can be the extra fee for more than ten students at a high level who need high costs like medical school. Thus, the conflict is aroused in the distrust of students who pay high tuition fee levels in institutions.

The UKT policy was accepted by students in its framework but rejected in its practice. All of the students I asked like UKT as a policy but hate it as a practice. One student even asked me why the government does not monitor and regulate the policy, so that institutions cannot implement it lawlessly (SS<sub>1</sub>). Students ask for universities to be more transparent regarding UKT level allocation and how the money is spent. In Indonesia, which has high rates of corruption, the conception by the masses is that every public institution is corrupt. Therefore, as UKT is implemented, most students will get higher fees imposed on them, while the

facilities provided have little improvement, further creating doubt over the utilisation of funding.

The interesting fact is that there are no demonstrations at the Polytechnic. All participants at the Polytechnic told me that they are the most expensive of all polytechnics in Indonesia, while the participants at the School of Art, including the students, proclaimed that they are the lowest of all public higher education institutions in Indonesia. Meanwhile, at the University there are demonstrations that reject UKT as part of the commodification of education, even though they do like the framework of UKT.

There are two probable reasons as to why this happens. First, students at the Polytechnic have little or no time to do much activity outside of studying. The second is that students admitted to the Polytechnic already know their fee is expensive and catered to the ones that can afford it:

I heard myself from other polytechnics, “How can it be this expensive?” Expensive, because if we are cheap, we will be considered two pennies, and the students will be worth less... Checked against other polytechnics, they are lower. However, we are the most looked after. We show that we are not a two-penny campus. If we want to get something delicious, we go to a restaurant not a street vendor. (LP<sub>1</sub>)

The tension at the University is not only between the institution and its students, but also present internally. The lack of funding makes the leadership at the University must do a lot of efficiency in cost, as conveyed by a staff member in academic’s affairs:

We judge that the more waivers are accepted, the more people that ask for a waiver. It affects the University, as the revenue is reduced. And in the end its influence is operational. There is a lot of efficiency. Our work performance cannot be maximised. (AU4)

However, both senior administrators at the University defended the policy as their duty and outlined that they cater to regional areas with low-income students. One explained:

If we implemented high UKT, then a lot of people in this region could no longer afford it. Of course, our quality cannot improve. Faculty cannot do a lot of research, as our workload is high. The ministry asked for a higher Enrolment Rate. The duty is to add the enrolment rate while subsidies are not increased and UKT does not reach BKT... My answer is, do you want to have a high UKT? Look in K [a place

name near the University]. Get out and look at their house. (Do not) Be stubborn, ask for high tuition fees. (SAU2)

The senior management in the University defended the rule for not limiting the waivers for students. It is important for their duty to educate 'bright' students in their poverty-stricken region.

Based on participants' responses, the experience of funding using UKT seems to yield a positive result for administrators, especially in the financial department. The other aspects of UKT which are BKT and BOPTN are the problem. The problem comes from the government that does not keep the promise on calculating the BKT regularly and thoroughly. The BOPTN based on the total difference between UKT paid by the students is also the problem. Public HEIs must withstand the barriers to the government side that are not serious in implementing the policy, but also other government bodies that supposedly help them to do verification are not trustworthy. Much of the problem can be understood as originating from a lack of support for them to do the job needed from the government. Public HEIs face pressure from students that the majority need to pay much higher tuition fees than the past policy for subsidising students at the lower levels. Meanwhile, they do not get good facilities and services when studying.

In interpreting the responses from the participants, there are some interesting points to note. The first point regards the goals of the government in implementing the UKT policy. The goal in the legislation is to create a sufficiently funded higher education institution while reducing financial barriers to participating. However, in the implementation, the government itself looks like it lacks the ability to be able to fund the policy. The second point is regarding conflict. The conflict has arisen because the goal of UKT moves from the framework in maximising the subsidy allocation to highly paid students subsidizing the low level of the UKT. The condition turns the institutions into pariahs that are criticised by the students and their academic staff and administrators. The third point is regarding the equity policy. The pressure on funding may affect the policy regarding equity implemented by public higher education institutions, which may differ, especially the UKT level allocation. This is the topic that will be discussed in the next theme.

## 6.4 Equity

The UKT policy contains the concept of a fairness of tuition fee. The main idea is to eliminate fee barriers for students to participate in higher education, while also giving the opportunity for public HEIs to maximise their funding. All participants believe that UKT is a fair and good policy for equity, as described by an administrator at the University:

In the past when I went to university, all of us had the same fee. It was very cheap. I think this system was fairer. The students pay based on their ability. Not like me in the past, the rich and the poor pay the same. (AU3)

The problem lies in the implementation wherein policy becomes unfriendly for the one who most needs it. The excerpts by one student at the School of Arts can illustrate the conflict between the beautiful promises and the appalling realisations:

A year before coming here, I already knew about UKT, I have a relative here, he also gets UKT. The level based on the parents' revenue. I am ready, and everyone must be happy when they hear that UKT helps every student to get a waiver...I still want to say that this is a fraudulent system. I want to be transparent. This system killed us: the poor. Firstly, some of my friends got level 1-2, the reason being the [admission] path. Supposedly the UKT is about parents' revenue comparison. My studies are suspended. The institution does not let me get a waiver or pay in instalments. The idea of having the right to participate, here it is only nonsense or simply a formality. (SS1)

During the interview, this student expressed his responses in tears and emotionally. It caused him to have huge dissatisfaction and led him to be hopeless. He had worked hard for three years before he applied to the School of Art. As he was from a rural area, he was happy that he could continue his study at the institution and reach his dream. However, his study did not run as smoothly as he expected. He once could not pay the tuition on time as the money he had saved was not enough. Since then, he had been penalised by being obliged to pay the higher level of the UKT. His experience indicated how the UKT policy failed to offer justice especially for the disadvantaged students who are from rural areas. It demystifies that the promise written in the text is not applicable in reality.

As aforementioned, the public HEIs must allocate tuition fees based on the socio-economic status of students. The cheapest ones are even set by the government

for the level 1 maximum Rp.500 thousand (about £27) and level 2 maximum Rp.1 million (about £55) regardless of the cost to deliver the services. The government promised to pay the difference (BOPTN) between fees paid by students to “ideal” costs to deliver the services calculated by the Ministry called BKT. However, the government does not keep the promise by not paying BOPTN based on the formula.

According to practices in all the participating institutions, there is a gatekeeping on why they cannot practice social justice action like stated in policy text. This is seen in all the institutions, as they have different problems in getting resources for implementing equitable participation in their institution. In practice, however the gatekeeping for making them not implement the equity about the policy is different.

### 6.4.1 The School of Arts

Two sub themes emerged as relevant to the second subchapters regarding equity at the School of Arts. This section explores the two subthemes: (a) the gatekeeping by government and society; (b) the gatekeeping by scarcity of funding.

#### 6.4.1.1 The gatekeeping by government and society

As just described, the promise of enough grants to subsidize public HEI is unfulfilled by the government. In beginning from the impact of this condition, the AS<sub>2</sub> argued that:

**We may want to provide 500 thousand (level 1 tuition fee) to everyone that asks, but is there any guarantee that the government will cover the costs, like our BKT? When the government does that, gladly we will provide, because other universities have a lot of study programs that are in demand. For us in the arts, there are not many enthusiasts. The problem of cost, based on my personal opinion, does not become a barrier. However, [the low-level tuition fee] cannot limit us, and it will sacrifice the others. In the end, we will get stuck. Many problems will be created. [Even now] we must reduce many costs that are important for our performance. (AS2)**

In the context of the performance, the administrators at the School of Arts stressed that the need to get more funding is to become an institution that has a good accreditation and a good rank. The government pushes them to be inspired to become a world-class university and undertake programs to that end. The government stressed that it is important, as the funding within higher education



for investment is to create human capital. The society is also willing to pay when the graduates are demanded by many industries. All of this has created conditions wherein the School of Arts attracts more students with lower SES than other samples.

The investment in human capital is based on the government's aim to push for the competitiveness index of human capital in Indonesia. Meanwhile, what they mainly do is the education of local arts that are not used in many industries. Most of their graduates become temporary teachers that are not paid well. There are no significant jobs provided to graduates. The LS1, for example, said:

From my perspective, the people who entered the School of Arts and tradition are specific. The young people will be able to know this value. We cannot compare the graduates with other [universities]. When you do banking, you can become a banker. Do law, you can become a lawyer. However, here, what can the *karawitan* do? We conserve the arts and the people. Economically, we have no strength. When students graduate, they are not marketable. However, they conserve the value that needs to be conserved. In the end, it becomes dilemmatic. So, which one is the priority? Must the government give more subsidies? Like this, when the government gives subsidies, they must ask for something. Our product can become something. However, our products are not marketable. There is no investment value here." (LS1)

From the outset, then, the funding from government to higher education institutions is perceived as an investment in the human capital factory. Even though the School of Arts can become a provider of equity to participation in higher education, as its human capital provided does not conform to the mission for economic development, they receive less subsidies. Thus, they cannot accept too many low SES students who pay fees below the cost for delivering education to them.

#### 6.4.1.2 Gatekeeping by scarcity of funding

At the School of Arts, the pressure is bigger on the contradictions between funding and equity more than other institutions. As mentioned by many participants, the School of Arts is the only place where the low SES students can compete for a place as the wealthy people do not consider art will lead them to have a bright future. Most students in the school must look for money by working as an artist. They are usually at school at weekends to wait for people who offer work. On

other hand, the affluent that applied are unwilling to pay expensive fees as the prospect for future jobs is not bright. Meanwhile, as the study of arts that do not focus on theory, it is practice-heavy - that have bigger costs in delivering than only theoretical-based programs at other universities. Thus, administrators at the School of Arts believe that they must re-interpret the UKT level allocation policy to utilise the quota and control students' potential access to ask for fee level waivers, as a gatekeeping strategy.

The quota created wherein the number allocated is about ten per cent of the total students who are entitled in the first and second level of the UKT while the other students are directly put in the fourth or fifth level. The IT administrator at the School of Arts noted that almost all students applied for levels 1 and 2, and the subsidies were not enough from the government; they must allocate the level based on a first come first served basis to maximise funding and get enough cross-subsidies (LS1). The administrators offered explanations that even at the highest level, the fee is still very low compared to other public HEIs, and one of them mentioned that their highest tuition fee level is lower than the tuition fees for his child in kindergarten.

Another significant aspect of defence they offered is that, even though the fee is low, the students must have enough funding for their final assignment. As one senior administrator said:

The worst parts are the creative processes. Our creativity is very expensive actually. Yes, we can give the cheapest tuition fee, but our final assignment can reach 200 million rupiah (about £11,000... So, the education fee per semester is cheap, but the final assignment is expensive. So, the students do not get any subsidies from us. We can only pay the supervisor. Meanwhile, to supervise one student, I only get 300 thousand (about £16). I need to coach them for 3 months. I must instruct a lot of things. For the final assignment we must create something. However, concern for the arts is small. There are no rewards for lecturers, especially if they are pure artists. (SAS2)

In this statement, the “gatekeeper” of resources is emphasised. They are not able to reduce the fees, as their funding is scarce where they cannot even give decent rewards for their academics' hard work. Besides that, it is an expensive journey to make an artistic creation. Their reward is only the creation itself. The creation does not only need an artistic taste but also the ability to self-finance to back it

up. Therefore, too many students with very low funding abilities are not good for their artistic creations.

Other strategies used for the gatekeeping of resources are including control over the fee level waivers application. The first policy the school does is to expel the students who are late to pay the fee, a policy also applied to new students. Through this policy then there is only a short time available for students to ask for fee level waivers. The second policy is the unavailability of any standard operating procedure for fee level waivers applications. The administrators at the School of Arts told me that usually if students ask for waivers they do not know where to send them. In truth, the ones who really have the power to give waivers are known; the Vice Rector of financing and planning. However, as she is not only a lecturer, but a senior administrator invited regularly to the Ministry among other places, she is not easy to find. Therefore, the students would be sent to other departments that in turn also cyclically send them to other departments.

One other aspect that needs to be mentioned is that the allocation for lower-level tuition fees is not really to serve those with low socio-economic status at the School of Arts. Their main concerns for allocating the lower levels are only to follow the law 12/2010 that a minimum of 20% of students must have low socio-economic status. Many administrators told me that they realise that many students who get given a lower level are not the poorer but the more affluent ones.

Participants gave the example of the film and television study program, where every student must have a laptop but 20% of students are level 1 and 2. They said it is impossible for students with parents that have a revenue Rp2 million (about £110) a month or lower to afford high spec laptops that are needed in the study program. On the other hand, they give a defence for this action as the government punishes them if they do not follow the law, meanwhile they are not given the tools for them to filter the students and or subsidise the costs. So, they will accept the students at a lower level for 20% and allocate everyone else automatically to the highest level.

To summarise, administrators at the School of Arts offer rhetoric that shows how inequities within higher education are affected by human capital creation policy in two essential ways. Firstly, government and community impeding the

development of study programs that do not promote economic development. The scarce government budget allocated is mainly based on graduate future values to increase country competitiveness. Parents from high SES do not want to pay high fees for participating in such study programs. This impacts study programs where low SES students are unable to participate or underfunded, in turn affecting access to and success of their participation. Secondly, implicitly, and sometimes explicitly, disparaging the participation of students with low economic capabilities to have deficiencies to take full advantage of higher education, and so the scarce resources allocated will be wasted on them. In contrast, an equity friendly policy will not empower students from low SES to fully participate as equals but obstruct the capabilities of HEI to maximise revenue and worsen the severe lack of funding.

## **6.4.2 Polytechnic**

Two sub themes emerged relevant to the second subchapters regarding equity at the Polytechnic. This section explores two subthemes: (a) the gatekeeping of human capital production; (b) the gatekeeping of abundant resources.

### **6.4.2.1 The gatekeeping of human capital production**

The Polytechnic has a different kind of policy, as the head of the student body said:

When we register, we get the total fee that must be paid. There are no levels [based on socio-economic conditions] but equally for all based on the admission path... So, the slot for level 1 and 2 are here only when there are inquiries. The reality here is that new students do not know anything about the regulations. However, when we wanted to publish it, the Director forbade us. "We already realised the level. When level 1 and 2 were requested, we had already accepted. We do not publish from the beginning because we are afraid that a lot of students will ask for a waiver. What if many students ask for it? What money must we use later? (SP)

That being so, the priority is funding for human capital production. It is the only way to make the Polytechnic attain their aim to provide good quality vocational education. From a purely pragmatic and instrumental point of view, if an institution wishes to provide graduates with skills that have links and fit with industries, the education path is simple: undertake theoretical classes for a short time and focus on practice mostly. The greater one's mastery of the practice, the greater will be one's acceptance as a skilled worker by the industries.

Administrators at the Polytechnic have argued that industries know this and accept many students before they graduate. For example, one Senior Academic told me:

We fight for the output by [showing] alumni success. A guaranteed 70% already get work before graduating. This must reach 80-90% or in the end the outcome is ready to be sold; it must be reached 100%, who do not need to look for a job because the link and match program already guarantees the job. (LP2)

He also criticised how many universities also provide vocational study as public deception. The universities that provide vocational studies do not do a lot of practices. They will become bankrupt if they do the vocational studies in the classes of the Polytechnic. It is a very expensive venture to do the program of education that has a link and match to industries like they do. At universities, vocational studies become a cash cow.

In summary, there is a big difference between the School of Arts and the Polytechnic policy regarding graduates. At the Polytechnic there is one purpose, which is to produce human capital that can be used by industries for economic development. These graduates are sought after in the job market. The main impact for this ability is the capability to get high tuition fees and how it also impacts on the appearance of good quality.

The gatekeeping of these high tuition fees also impacts many students with strong social and cultural capital, as they mostly come from higher SES students. The students from lower SES must be discouraged as the tuition fees that are published by Polytechnics are only at the middle level of UKT and the highest. There are no publications that the students can get low tuition fees from. This condition is admitted by students and administrators. This gatekeeping in making high tuition fees can mean that they are only accessed by the people who already have strong cultural and social capital, while maintaining enough revenue and keeping cross-subsidies minimal.

#### **6.4.2.2 The gatekeeping of abundant resources**

The gatekeeping is not about the allocation of scarce resources but about providing abundant resources for human capital production. The need to be

dependent on government is not an option because it will affect their ability to put in place the right policy said by one senior administrator:

The financial economics [the government's ability to finance based on economics capability condition] cannot be pinned to the government. The government will go bankrupt to sustain education in the classroom of the Polytechnic. The Polytechnic is the only BLU, so we have it 50/50. Half comes from the government, and the other half must obtain it via the ability to double the government funding by implementing the programs. (LP2)

At the Polytechnic they believe that self-reliance is in line with human capital production, which is the core mission of their institution. Therefore, they even rejected some funding from the government.

Given this human capital context, the Polytechnic said the equity policy is a must. However, the waivers must be allocated to the bright students from low SES admitted from SNMPTN and SBMPTN. The Mandiri path and especially the students who study in programs that guarantee job placements need to pay the highest fee. They are products that can be marketed as high prices to subsidise the lack of funding from the equity policy.

The administrators show how the pressure of funding affects their willingness to put equity first. For example, the treasurer (AP2) conveys that it is hard for them to do this based on the initial framework. The Polytechnic is not the first choice for many students who are able to pay. Many students will choose to decline if they are accepted to the other prestigious higher education institutions. As they do not do this based on credit, it is impossible to add more students to the available class when there are students who have resigned. It affects their revenue badly if they do the UKT based on the initial framework.

On other hand, they also do not really reject the equity practice, but make a show of equity to fulfil the legal requirements. The assumption that is shown through their rhetoric is the need to do it right: to manage the balance between the need for funding, but also not to make the need to provide equity become a stumbling block, while making sure it is on target. The Polytechnic is quite strict on the waiver acceptance and has a quota as explained by the staff who have the right to give waivers:

Nevertheless, it is an obligation for a parent to give their children the highest education... I just want funding allocation from the government, right on target. I want people who have - especially insiders - do not get waivers. Sometimes, the low SES students are late to know and not able to get waivers. The quota is already gone... As the institution's people I want the funding can be as high as possible. We are bargaining... It is all to defend the institution. However, they are that very poor. Even 500 thousand (about £26) cannot. I must look for donations, usually ask the alumni. (AP5)

Polytechnic is showing public support for the equity policy, but once again they maintain that it must be allocated to the students who really need it. They are even willing to look for donations from alumni. However, once again the equity policy cannot affect their performance for human capital production that requires high costs.

The next problem for the equity policy is that Polytechnic cannot use the tools assigned by the government. As mentioned in the last section, the proof of revenue for entrepreneurs is not trustworthy. Therefore, for the sake of not affecting their funding abilities, no public information is provided to students about the waivers.

Regarding the Polytechnic who does not have a trustworthy mean-tested mechanism, they believe that their modification is more equity friendly. It is fairer and gives assurance to parents for how much of a fee they will need to pay. The Vice Director said many parents do not register their children based on need but on the fee assurance. This condition he said is especially true for students with middle and low SES. Within this rhetoric, the policy for allocation based on the admission path is a good idea, as students know how much they need to pay. On the other hand, the Polytechnic is also able to economise the UKT level allocation system. The system also has an alignment with their mission for human capital production as the allocation of subsidy is based on merit.

In short, administrators at the Polytechnic argue that the equity policy cannot become the main objective in their mission while they bear the goal to create human capital that supports industrialisation. They support the equity policy in agreement that it will not become a problem for funding their education services.

In summary, the concept of higher education as a service industry that acts as a supplier to economic activity is profound. The idea is that education acts to give humans more functions to better serve them in a competitive job market. In this sense, the adoption of the equity policy is to serve students who have the characteristics of getting value-added from higher education institutions.

### **6.4.3 University**

Two sub themes emerged that are relevant to the second subchapters regarding equity at the University. This section explores the two subthemes: (a) gatekeeping from students; (b) gatekeeping from the equity policy.

#### **6.4.3.1 Gatekeeping from students**

The only participating institution that really implemented UKT like the initial framework is the University. LU2 said that they use a web application, and the level allocation is based on an algorithm calculation from student data. Students are given the opportunity to refute the results and pay by instalment. The University also provides the opportunity for students who were admitted via the Mandiri path to pay based on their economic circumstances. However, the students still criticise its implementation, as SU1 stated:

The positive thing about UKT is that students pay based on their abilities. However, the negative is that under this practice, those who do not excel can get high [tuition fees]. The UKT allocation is only based on revenue without looking for students' conditions like the number of kids or others. Pity, as many of my juniors who should have the opportunity to participate must be cancelled because of expensive fees. (SU1)

The students' concept of the equity policy relates to state action to promote the retention or maintenance of affordable tuition fees. In addition to protecting students' right to be funded by the government through prohibiting expensive fees, a higher education policy should actively seek to help maintain higher education for all who have potential. In this case, they believe in equity but not for all.

In some ways, the students' case for rejecting UKT grows out of dissatisfaction with the rationale that most students pay higher tuition fees after implementation, as described in the above section, because of cross-subsidies. This dissatisfaction also stems from the fact that the students do not believe that



the University allocates additional funding for their education, rather than corruption. For example, one student said:

Every year we need to pay a lab fee, but the lab is never changed, the equipment is still old. We also have no psychology tutorials. We ask the CSA for transparency. We see that there is an explanation about a psychology tutorial, also for the costs to UKT. Where did the costs go? (SU2)

If the University chooses to add fees it is suspected to be not for students' welfare but for the welfare of the civil servants in HEIs. Employing this deficit of trust, the students' decision to reject the practice of UKT at the University is premised on the fact that most students pay tuition fees higher than in previous policies, which they believe created barriers to participation, and meanwhile do not give better services for their studies.

Similarly, the provision of low tuition fees for students on lower levels are often based on documents that are easily falsified, creating conditions where many subsidies add to a culture of distrust. The core part of this argument derives from the belief that Indonesia is inherently a country with high nepotism and collusion for the benefit of the civil servants and their networks. Given that assumption, the equal treatment promised by the government does not have credibility for its citizens. Therefore, the practice of UKT at the University - even though based on the initial framework - also receives opposition from its students. The assumption in both cases is that the University does not really implement the equity practices of the UKT policy.

#### **6.4.3.2 Gatekeeping from equality based on merit**

In contrast with the students, to date, administrators at the University believe that most of the energy of the University is devoted to the social equality issue focusing on its willingness to follow the initial framework of UKT. UKT, they believe, is a policy that keeps the University on their tract as social services agents, even though it affects their quality; thereby helping students to participate in higher education regardless of their socio-economic status. As a senior administrator at the University explained:

Not like that [lower revenue affects quality], but... yes, they are. It is a dilemma for us. For local people and even those outside, most are [financially] disadvantaged. It is legal for us to get additional [fee] alongside the UKT for the Mandiri... The stigma will materialise, and

our reputation will be low. The need to raise the quality we focused on intensifying [funding] management. (SAU1)

He downplays the negative side of such an approach; namely, that this policy makes them left behind by other public HEIs that push in the other direction. He later recognises that a loss had occurred in his institution when they did not follow the trend; however, he defended it on the moral grounds of this decision. In a later explanation, he states that he believes that what they can do now is maximise the funding utilisation that was rejected by many administrators in the University. Nevertheless, he believes that the sacrifice was a necessary and valuable transition from a traditional public institution, because only by truly implementing a system based on efficient and effective funding allocation, can they become a world class university. Additional funding from students without the internal transformation of the funding utilisation only creates excess costs without good return.

In short, the senior administrator at the University argues that children who have passed the test to participate must be given the chance to participate in higher education. He believes that the equity friendly policy is to get the best students to participate without being hindered by tuition fees. Only by claiming an identity of an educational institution that preserves integrity they will be able to maintain their image as a public service agent.

Interestingly, SAU1 noted that the problem for low rate of participation of low SES students lies in pre-higher education. They do not have proper academic abilities because they study in a low-quality education provider. These are the conditions that created barriers for them to participate fully if accepted to public HEIs. Students from low SES who were accepted via a non-writing test are unable to participate fully and have lower performance scores than their colleagues. As such, they reduce admission from this non-writing test. He also talked about the profound difficulties for students from low SES competing for places with such strict competition like admissions from writing tests. He notes that the biggest concern regarding equity is the competition for places.

The fundamental point is that gatekeeping strategies that affect equity and a strict competition seem to be related. For instance, at the University, with a

strong focus on the equity aspect of the UKT cannot be excluded to obtain a good ranking. The other senior administrators (SAU2) at the University argue that implementing the equity policy with the UKT while aspiring to become a world class university requires them to reject the task of increasing gross participation rates:

I look at our conditions. I do not agree that we need to increase our capacity. We have a responsibility to become one of the best universities in Indonesia, included in QS Asia, but also need to build on our capacity. The Ministry needs to delegate the tasks. We get subsidies to increase our quality, while other universities increase gross participation rates. Even if we squeeze out as much as possible, we can only get this much UKT. I am not in the position to add to UKT, as conditions in society do not allow it. (SAU2)

It is known that students with low SES are seldom able to get through the tough competition, not to mention the fact that students with higher SES have more information and an incentive to falsify their data to get a lower level of tuition fee. Therefore, it can be reasonably inferred that the willingness of the University to undertake UKT policy with an initial framework have the unintended consequence of effectively lowering the possibility of equitable participation in higher education. In other words, even with the “hard work” needed to maintain equality, they do not, or cannot, be considered to take on the equity friendly policy. In this case, the gatekeeping strategy comes from the University, while different from other institutions that still maintain the human competitiveness strategy that harms the equity policy of UKT.

## **6.5 Summary**

In summary, thus far the participants’ experiences seem to indicate that the UKT itself has a positive impact as the students need to pay only one fee and the policy has reaped a positive review from the participants. In turn, these expectations appear to serve as a big burden for HEIs as they face many problems in implementing the policy fully, as they are unable to get the support promised by the government within its regulation, while people demand they do it fully.

Furthermore, participants’ experiences portray the need for public HEIs to put equity and human capital production in the same breath. As such, the government must put public HEIs in a position with a heavy workload that requires constant

juggling of the goals that are said to be antithetical to one another. The path to human capital production appears to be clearly marked by guidelines that require higher participation rates, building strong supporting facilities, and research productivity that requires huge capital, while the conditions of funding from the government are stagnant or decreased. On the other hand, to reach the goal of equity, there is a need to restrain revenue from tuition fees. The pressure both from society and from students also asks them to do both. The problem is more complex in Indonesia, as public HEIs are limited and even forbidden from obtaining revenue from other sources.

## **Chapter 7 Discussion**

### **7.1 Introduction**

This chapter reflects on the results presented in the findings chapter concerning the overarching research focus of the study, and its relationship to previous studies. The chapter begins by restating the research problem. Next, I discuss the findings associated with the two central themes within the research questions, which are the dual imperatives of the funding system, human capital and equity adhering to social justice arguments. The discussion and analysis are part of the possible divergence/convergence between what the official policy documents intend to do and the perceptions of the administrators on what they need to do, and how this discrepancy is occurring.

### **7.2 The Research Problem and Outline of the Findings**

The central question of the current study was, “How do policy actors enact the UKT policy in funding human capital and social justice objectives within higher education in Indonesia?”

Furthermore, the study is guided by the following three sub-questions:

1. How does the Indonesian government interpret human capital and social justice objectives in the Higher Education Act number 12/2012?
2. How do public HEIs enact UKT policy based on the interpretation and translation of funding for human capital within the higher education system from policy actors?
3. How do public HEIs enact UKT policy based on the interpretation and translation of funding for the equity of participation within the higher education system from policy actors?

Indonesia wants to improve its competitive advantages in the global market by increasing the nation's investment in higher education (Putusan No. 33/PUU-XI/2013). However, Indonesia has a constitution that the mandated government has a responsibility to provide its citizens with intellect and guarantee their right

to an education that aligns with equity adhering to a social justice approach. Both can be said of the objectives of the implementation of UKT policy in Indonesia.

Based on the literature review, we can see that both objectives stem from different approaches: the human capital approach, and the social justice approach. Hauptman (2006) argues that there must be a trade-off between the need to achieve social justice goals, with the goals of human capital investment for competitive advantage. This is the search for 'innovative financing approaches that will allow for more effective use of resources in meeting growing demand' that have a prominent role in public policy agendas in many countries globally (p.104). Thus, UKT policy is a relatively new and innovative funding policy to be implemented in the higher education system. The implementation of the new policy is widely recognised as often problematic with high expectations raised by the stated intentions of the policy at odds with the reality of implementation (Pressman and Wildavsky, 1973). However, research in UKT policy implementation concerning both goals has not yet appeared in the literature.

An analysis of the data in the findings chapter and **Error! Reference source not found.** chapter shows that the social justice and human capital goals are contradictory to one another, and administrators feel under pressure to be held accountable for the inability to achieve both tasks without enough support from the government. UKT policy implementation at the case study institutions is challenged predominantly by complicated and contradictory expectations of both the government and students. For example, the need to provide the right tuition fee that is affordable for all students led them to a lesser funding revenue, as they do not have the instrument to assess the economic capability of students. Less revenue from students affected their ability to accomplish the program as mandated by the government, which is mostly about reaching competitive advantage objectives, in turn affecting their performance grades that reduce revenue from the government.

On the other hand, if they try to maximise revenue, the case-study HEIs must sell the place to the rich through the disciplines that have good prices or hold information about the UKT scheme, which can be contended to betray their social justice objectives. They must also face objections from students.

What is surprising is that demonstrations by students are less fixated on defending the social justice objectives, and more on the need for cheap tuition fees. It can be thus suggested that social justice has no value if it is contradictory to the need for a competitive objective. Interestingly, the competitive objectives are also not reached. There is still severe underfunding in implementing public HEIs that can produce enough human capital to compete in the international labour market. In the implementation of UKT, there is no trade-off happening. Both objectives fail to reach.

The study takes the form of a multiple-case study that explores the implementation of UKT policy in three public HEIs. I wanted to investigate how the stakeholders interpret the multiple demands and expectations of a policy presented to them by others, and how they make decisions on where their priorities lie. This is a complex endeavour. Thus, I had focussed the analysis on objective conflict. In this case, I want to present how the conflict of value in each approach affects the implementation to reach the objective itself and the inherent problem of the value of the approach itself to reach the objective.

### **7.3 How is the interpretation by the government?**

UKT policy was implemented based on the 12/2012 Higher Education Law. The motivation for ratifying the law is for reconciliation of the need for investment in human capital for economic development, and the need to provide fair access to higher education for all (see Chapter 5). The government translated both objectives based on social justice and human capital theories to build competitiveness yet assure that low socio-economic students can gain greater access in the higher education institutions (explained further in Chapter 5). The policy texts indicated the mechanism for the government to gain competitive advantage and to pursue social justice by initiating the implementation of UKT. However, as what I presented in the chapter 2 that both of objectives are not compatible, consequently the policy text shown ambiguity and unclear.

Lipsky (1980) proposes that when policy texts are ambiguous and unclear, significant discretion on the street level bureaucrats' decision making greatly influences actions on policy implementation. In the UKT policy context, the policy shown contradictory and vague on the affirmation actions with the need for HEI

need to maximize their source of funding. The policy texts are not clear about the grants' allocation to cover the difference on expense and tuition fee paid by students, under what conditions HEI can provide places by special admission test and what should be prioritized under conflicted means to get more funding with affirmation actions. Public HEIs as street level organizations have great discretion to generates interpretations of the policy text.

In practice, the government was criticized by administrators for being unable to put the needed funding aside to achieve a competitive approach that needs large funding. On the other hand, the leaders of public HEI feel pressure from students both from demonstration and inability to assess the socio-economic status that limit their ability to get funding. There is a lack of resources, while the institution puts on pressure from government and communities to provide better human capital.

The outcome regarding social justices' objectives can be seen not achievable. There are many demonstrations from students and much news provide information how public HEI ignored social justices related mechanisms in UKT. The administrators from non-elite public HEI also showed protest that they get marginalized by the government. They criticized that they get bigger pressure as they have lower funding from the government while must accept more students who paid low tuition fees.

The conditions showed that there are different interpretations and actions related to policy implementation between what is on paper and in action by the government. The conditions have pressures like Lipsky's (2010) contentions regarding lack of resources. The next sub-chapter provides strategies and interpretations used by stakeholders which are not in line with the objectives stated by UKT policy because resource problems.



## **7.4 What are the perspectives of administrators on the use of the UKT policy to provide funding for human capital investment in the higher education system? How?**

Schultz (1961) argued that human capital is about the installation of technical ability for employees to adapt and use new technology. The technical ability that can be acquired by students is transferred through the introduction to theory and application of new technology. In practice, however, the students in case study HEIs use tools that are already two or three decades old. Tools that are inaccurate and not used in the industry anymore. The classroom conditions are also improper to deliver quality education. In addition, many facilities like computers and books in the library must be affected and cannot be updated with a lack of funding. These are all the conditions that affect both lecturers and students to access new knowledge. The condition is worsened with the significant burden of teaching hours and administrative work, which can be a prohibitive factor for lecturers to connect and update themselves with new theories and in-depth knowledge on new technology. Thus, the chance for graduates to have the ability to adapt and use new technology is low, with many defects in the education services provided in the case-study HEIs, due to a lack of funding.

Rosser (2019), a professor of Southeast Studies at the University of Melbourne, presented a study on his analysis of Education in Indonesia for Lowy Institute:

Recent assessments of the country's higher education system suggest that it continues to produce graduates who lack the skills employers need, in particular, those required for professional and managerial roles (OECD, 2012; World Bank, 2014). Nor does it 'provide the necessary research needed to support innovation' (OECD, 2012; Hill and Wie, 2013; Welch, 2007). The quality of research and teaching in Indonesia's higher education system—even at the country's best institutions—is generally regarded as poor relative to both global standards and those of neighbouring countries in Asia. (Hill and Wie, 2013; OECD/ADB, 2014; World Bank, 2014) (p.9).

In summary, the balance of evidence in many studies suggests that HEIs in Indonesia cannot provide human capital with the competencies that are required by the industry and commercial world. My data suggests that a lack of resources hinders the competencies cultivated for students in the case study HEIs. Therefore, graduates cannot have the necessary knowledge or the poor

capabilities to adapt to new technology. Academic staff also are not able to participate in lifelong learning or produce good quality research. Considering this condition, HEIs in Indonesia have failed to deliver 'good quality higher education' as mandated by the Law No. 12/2012; the appropriation by the government is arguably responsible, since it is both not enough and restrictive.

The second objective in human capital investments is promoting lifelong learning for capable individuals in the fair market competition. In human capital theory, individuals are considered to participate in lifelong learning according to their calculations of the net economic benefits to be derived from education and training (Becker, 1975). The net economic benefits calculated by individuals are based on the marginal private benefits minus marginal private costs. The implementation of UKT tries to combine two kinds of subsidies from the government, which are appropriation, and targeted financial aid to disadvantaged students. The UKT policy is trying to do two things. Firstly, to reduce the costs to participation by the removal of the financial impediments or 'barriers' which prevent those people from participating in education who would benefit from doing so. Secondly, given that an individual's participation in schooling brings about benefits that are not only economic but also non-economic (see McMahon, 2006), these benefits must be ensured to internalise everyone's decision-making when participating. If left unresolved, both problems will result in a private marginal cost that is too high, while the return for participation in life-long learning could be calculated too low. This condition gives participation a negative net economic benefit for many, especially the ones who lack economic capital power. The lack of both conditions further creates conditions wherein many talents do not want to participate in lifelong learning or become a barrier to accessing HE. Subsequently, it creates a condition wherein much talent is wasted, since they do not receive enough training to nurture their skills. As Barr (2003) states, "access also supports the growth objective, since no country can afford to waste talent" (p.1).

As the findings show, both principal issues regarding access are unable to be addressed by the UKT policy. Many students from low SES cannot participate, even though they can pass the test at the School of Arts. The actions performed by the University in stopping the widening policy and increasing the indirect costs for

students, while also reducing economic and non-economic return in society. Based on these findings, we can also see that participation in HE is mostly based on economic benefit as consideration. For example, students are willing to pay an entrance fee to participate in elite program studies, while in the School of Arts some parents reject the UKT of their children. The positive net benefits to participating in lifelong learning are unavailable to many individuals, especially from low SES in UKT policy implementation.

The conditions are worse at the Polytechnic, where students who want to participate in the program with the guarantee of a job placement after they graduate must pay the highest level in tuition fees. Their economic capital advantage protects the 'non-competing' group (the individuals who supposedly lose in competition) (Friedman, 2005). The students from privileged families do not have a problem in calculating the net economic benefits worthwhile of investment, as they know which program of study at HEIs gives the most significant economic benefits and have the financial capabilities to pay for participation. The job market is inefficient as the competition is not fair. There are 'technical monopolies' (high paying competencies monopolised by privileged groups because of the financial barrier for access) left unsolved by government intervention, but also help to create it with the obsession of world-class recognition. These results suggested that UKT policy even cannot fix the problem of justice even in the level of equality under meritocracy.

The next subchapter shows how the value of social justice creates severe underfunding for reaching both objectives. Furthermore, the subchapter also puts forward how the misrepresentation of what investment in people translates as investment in qualifications, making the quality of education itself compromised.

#### **7.4.1 The Severe Underfunding for Investment in Human Capital**

In this study, my interpretation shows administrators describing how the social justice objective is a major reason as to why the UKT policy cannot fulfil the objectives of human capital investment. The first problem is that the design of the UKT policy for public HEIs is more dependent on public funding than tuition fees (Putusan No. 33/PUU-XI/2013). In this court document, the government puts

forward an equity of access as the reason. However, in practice, the government does not have the money to fund this policy.

The Ministry never gives us an answer. We cannot raise UKT while our operational cost is always raised. I have asked [the Planning Bureau], do we still implement BKT? [They said] definitely. I only know that UKT is calculated by getting BKT after BOPTN reduces it. [Laughs]. I feel that the BOPTN has no influence (AP<sub>2</sub>).

All respondents who have knowledge on this issue agreed that the main problem regarding the lack of funding is the inability of the government to fund the difference between the UKT and BKT. The inability of the government to close this gap means that public HEIs must reduce their expenditures. The biggest problem is that the expenditures being reduced are the main 'ingredients' for achieving the objectives in Law No. 12/2012. This law mandated the public HEIs to produce human capital that helps economic growth by providing good quality education delivery. However, the public HEIs failed to implement the law as they lack funding. One obvious problem with underfunding is the severe lack of facility.

At the School of Arts, the condition regarding the vital facilities is worse. They, for example, have only a small number of chairs and do not have sufficient classrooms. Even a participating administrator was baffled and critical of senior administrators in the calculation of UKT. He believes that the wrong calculation of UKT is the cause as the UKT paid by the students is too low. It leads the institution to not have adequate funding. This critique is because this administrator is unaware that the problem lies in the inability of the government to fulfil the promise of BOPTN. They do not have enough money to provide enough grants (BOPTN), while putting constraints on fully transmitting the standard ideal cost (BKT) to tuition fees paid by students (UKT).

The second reason is the need to provide UKT levels based on socio-economic status. The big problem here is that the government does not provide infrastructure or any funding to do that. Most students that pass the regular test applied to the level of UKT and that of below BKT. This problem is bigger for the University and the Polytechnic. They both have study programs that require big costs to run. For example, medical study programs at the University that require a lot of costly equipment and supplies can cost the University tens of millions of rupiah (thousands of pounds) per semester. At the Polytechnic, they have an

airplane maintenance study program. Students with level 1 and 2 cannot be asked to pay more than Rp. 500,000 (about £26) and Rp 1,000,000 (about £55) respectively per semester for any study program. There are also students who are paid by the government as part of *Bidik Misi*, a needs-based scholarship program that allocated tuition fees of about 2.4 million Rupiah (about £140), regardless of the program of study. This condition is a big burden for the University to cover when the grants (BOPTN) are not allocated based on the promise of the government. The University and Polytechnic can be said to operate much lower than the ideal costs (BKT), and in return provide students with an educational environment that is inadequate in cultivating competencies for competing in the world with fast changing technology.

The third problem comes from political reasons. The government has forbidden public HEIs from raising UKT themselves, even for students in the highest level. However, what the government mandated to all public HEIs when introducing this policy does not imply their practice. In the initial design, the public HEIs have the autonomy to adjust tuition fees except for the lowest two levels.

The fourth problem comes from social pressure put on public HEIs, as public institutions that have social responsibility. There is a kind of dilemma here for management in case study HEIs. The dilemma between providing students with excellent competencies, which means more funding, is required from the private sector, yet clashes with the responsibility as a social institution paid for by public money. One senior administrator stated that the high revenue is needed for good quality education delivery. As it is legal for public HEI to collect entrance fees from students admitted through Mandiri path, it would then boost the revenue. As the social cost is too high for the students, some interviewees mentioned that the institutions admitted in higher number rich students with lower academic records. On the other hand, they also do not want to face resistance from students. There were many demonstrations by students rejecting additional fees due to social justice responsibilities. They in the end failed to gain additional revenue from the students.

There is an objection from some proponents of human capital investment regarding appropriation from the government; for example, from Friedman, (1955, 2002) and Barr (2003). They present the criticism that any appropriation

from the government to institutions is insufficient in providing higher education with enough resources to produce human capital who have competencies to be competitive in the global market. Whereas the appropriation from government with rigid management is making the market in the higher education system unable to work properly (Becker and Toutkoushian, 2013). There is a need to let higher education be regulated by the market with private financing for maximizing the role of competition in promoting quality and quantity (idem). The small involvement of government also promotes growth and excellence because it reduces the effects of complicated bureaucracy and political pressure in institutional operation (Barr, 2003; Wissema, 2015). Through bureaucracy and supervised action by a governmental agency with a lot of political consideration, higher education is provided with inadequate funds and the ability to gather them (Wissema, 2015). The policy makes higher education institutions inadequate in delivering human capital needed for global competition, both in terms of quality and quantity (Barr, 2003). The theoretical argument is that a tuition fee-based system in higher education, with the market as the primary regulator, provides a HE system with enough funds by encouraging quality entrepreneurship and efficiency through competition (Friedman, 1955, 2002; Barr, 2003; Becker and Toutkoushian, 2013; Wissema, 2015). Wissema (2015) asserts that the effects of the free-market system “has brought us so many benefits, benefits higher education could also enjoy” (p. 66).

It could be understood that the characteristics of underfunding at the case-study universities align with the views in the explored literature regarding human capital investment. The government does not have the capability to finance the expensive venture to expand the HE system to become busy with mass participation while maintaining its ability for providing competitive competencies for graduates. The promise of grants (BOPTN) to cover the differences between tuition fees paid by students (UKT) and the standard cost (BKT) remains unfulfilled. On the other hand, funding from the government also restricts case study HEIs in looking for revenue outside of public funding and raising tuition fees. Thus, the case-study in HEIs is in dilemma as they do not gain adequate subsidy while they also cannot maximise their revenue to obtain sufficient funding for their vision as world-class universities required by the government.

The administrators backed by a number of literatures on human capital justified the assertion that good funding and autonomy needed for making competitive human capital. Private HEIs do not have restrictions on the commercialisation of their facilities and tuition fees. Private HEIs in Indonesia that traditionally have much lower quality and status than public HEIs have already caught up with public HEIs. Bina Nusantara University (Binus) was established in 1996, not long before the East-Asian financial crisis, and is a phenomenon. Based on the QS employability rank in 2019, Binus is one of the best 6 in Indonesia (Harususilo, 2019). The young Binus is on par with old elite public HEIs older than Indonesia itself based on employability reputation.

Even though this assertion looks good and just, I have also been able to show how the human capital theory itself has a fault in enabling underfunding to affect the quality of education. There is a need to look deeper into the implications of human capital on expectations, and how competition in the market misrepresents investment in people, turning it into investment in qualifications. The misrepresentation that creates the reflex formed by the human capital model does not realise in practice. Instead, it is all about education attainment or credentials as a signal for competencies (Spence, 1973). The investment in qualifications is happening under the need for a return in investment and misunderstanding of competitive advantages as the ‘world class’ status of HEIs. These topics are covered in the next subchapter.

#### **7.4.2 Investment in Qualifications Not People**

Spence (1973) specified a theoretical model wherein the function of higher education was to signal the underlying productivity of the individual. In this model, education probably does not provide productivity but simply reveals the potential of productivity of the individual to employers. This is due to how individuals who entered the job market have different productivity levels. Since companies cannot initially distinguish the actual productivity of labour, and since securing this information may be expensive, companies count on market signals of productivity, which in this case is the degree from higher education institutions, to determine wages allocated to the worker. The individuals with better productivity are distinguished by their ability to complete their participation in

higher education by gaining the degree, which can be a signal for their productivity potential.

Human capital theory contends that the rise of funding should supposedly be used for an investment in people; an investment in giving the people better skills to support economic development. However, there is a misrepresentation when the model impacts the practice, especially in the case of middle-income countries that have lack of funding. The first misrepresentation is inherent, for creating funding for education is an investment not goods for consumption. As an investment, what people expect is not the satisfaction of acquiring knowledge but on return (Debeauvais, 1962). The skill that relates to the productivity of people and the quality of teaching itself is not easy to assess (Spence, 1973; Bok, 2009; Amsler and Bolsmann, 2012; Weis, 2016). The proxy used for assessing both is the prestige and scarcity of the qualification. Therefore, what people expect to get and what the labour market provides is a return based on the worth of qualification. Therefore, the pressure on the institutions is less to invest in people, and more on prestige and scarcity creation when allocating the money. As it is, the investment in qualification ratings provides a better return for institutions rather than an investment in people.

There exists a second problem with the human capital approach when introducing higher education into the market. The allocation of funding for teaching and increasing skills is not a wise choice for any institution that competes within a market. Thurow (1996) argues over the importance of human capital for competitive advantage, also providing data on producing goods or services, showing how the cost of creating the product is only a fraction of the total cost. The bigger part of cost allocated in making the product has prestige and scarcity (patent prohibitions and many more). This shows how products compete in modern markets and do not allocate money to manufacturing the product. This trend can be said to hold more prominence in luxurious goods like branded designer bags. The value of the bag itself is not large, but the value of the branding on the bag is what creates the high price and demand.

The competition on higher education indicated that the institutions focus more on the value of 'brand' knowledge instead of the graduates. HEIs, especially the elite institutions, do not put forward funding to teaching or to support their



academics in lifelong learning. Students and the government do not put forward the quality of teaching, but the prestige and scarcity of qualification. The efficient and effective way forward for HEIs is to put the biggest part of funding allocated in creating the prestige of brand and scarcity of qualifications. Thus, the investment is in qualification not on people as expected by the human capital approach. There is an error of prediction based on the human capital model. The rise of funding is not allocated to the investment in people, but in big sums allocated to the investment in qualifications within higher education institutions acting as a contestant within the market.

The fixation of the government on world-class recognition that lacks enough funding achieve is a big problem, as a lecture in University references:

I did comparison, but not with any deep agenda! I read that Russia (government), “Russia (HEIs) want to be equal with America (HEIs)”. The universities, 10 of them, are fully supported by the government's trillion rupiahs (billions pound), for their budget to enter the world rankings. However, it (the need of funding) is like that, if we are lured to (compete) in Scopus (research result impact factor) regime, and sorry, (compete to chase) world ranking regime, we must follow the rule play... The cost (for participating in the competition) is high, very high. (LU1).

The government has a deep obsession with pushing HEIs in Indonesia to achieve world-class recognition, even creating a task force to promote this vision (SAU2). Recently, the government even had a program for public HEIs to recruit Rectors from other countries in order to promote public HEIs within Indonesia to be listed in the top-ranking charts of universities (Wisnu and Kurmala, 2019). This is an anomaly itself; as shown by the School of Arts, the government is unable to allocate money to finish their building but are willing to allocate big money to hire a foreign Rector. This is one indication of how the case study of HEIs put big pressure on visibility despite a lack of funding.

The administrators at the Polytechnic admitted that they have a lack of facilities and funding for extracurricular activities. The lack of funding in both facilities and more general funding affect implementation. They admitted that this lack occurs because they focused more on funding of activities that have a relationship to recognition. Such funding includes providing the facilities for competencies certificate testing, and new buildings are prioritised over facilities to study (SAP2).

Extracurricular activities are not necessarily given plenty of attention and receive poor funding. However, for any activity related to competition that shows visibility in competency, the Polytechnic can provide significant funding (SAP1). The funding is very generous as they would fulfil the funding based on the proposal from students and provided as fast as possible when needed; however, the funding for extracurricular activities related to the hobby and organisational structure is only enough for administration costs (*idem*). Most of the funding must come from students itself. The Polytechnic would provide funding for competitions but only at the national level. The other sample HEIs also show this inclination. The University also focuses on funding some competitions. At the School of Arts, they do not have funding for providing chairs for classrooms but have adequate funding to send a delegation for an arts performance abroad. The reason behind this action is due to their emphasis in achieving the annual performance target. Such a target has no connection to gain knowledge as it is only related to the recognition of the institution.

Research funding is a priority for the government since it is essential to be listed as a world-class university. The performance target in the case study HEIs shows that all have a target to publish, and the vision to become a world-class university (even the School of Arts). Furthermore, many participants have reported that funding from the government for research is increasing. However, funding takes the form of competitive grants. In addition, the Polytechnic and the University are told to allocate a minimum of 20% of their revenue to fund the research.

The revenue from students that is needed badly for direct educational operations was instead used for research funding for lecturers and remunerations to research. LP<sub>1</sub> said that academic staff could be called productive and receive remuneration only if they had research published. The Polytechnic itself has an acute problem in teaching as the load to teach is very high. The academic staff, on average, have 30 hours of teaching per week. They are also short on buildings, and one classroom must be divided into two, and the class can be held until 9pm. There is an ignorance and undervalue of the needs of teaching facilities.

These conditions are not much different at the University. The University also focuses on funding students' extracurricular activities, while allocating small sums of money to others. Many academic staff are unable to obtain funding for their

research, especially in the social and arts discipline. Meanwhile, many academic staff from STEM subjects can get funding twice: competition funding from the government, and also from the University. There is favouritism to research for STEM subjects compared to the social sciences.

The obsession has become unrealistic, since the School of Arts, where the faculty members who are practitioners of arts, are also pushed to publish articles in reputable journals as a prerequisite to get a promotion. SAS<sub>2</sub> lamented that many arts practitioners as academic staff cannot get promoted due to a lack of publication. It is hard for many practitioners of art to get published because their work is in art creation. However, the government does not consider the achievement gained by the faculty as credit for promotion. This condition is harder for faculty in the arts and culture, as only few journals related to traditional culture are indexed in Scopus. The promotion would not be granted unless the faculties have their papers published in indexed journals.

Regarding the data in the chapter on the reform of funding, the government allocated most of the grants (BOPTN) to a small part of the institutions for having high world rank at the international level. In the findings chapter, the respondents show how the focus of funding to the elite lecturers that can publish in reputable or Scopus indexed journals has become the standard. Other lecturers can be listed as members of the writers' group, but, in reality, they do not do much. They focus on the significant burden of teaching. The focus is also put-on STEM research where many academics can have multiple grants, while many do not allocate any. As Evan (1995) put forward, the research from the social sciences is not valued by the media or public. Thus, it is less helpful in prestige making. Meanwhile, case study HEIs house the elite students that become the focus of HEIs to win the competition that exposes competency. These actions would be a good boost for accreditation and rank while reducing the need for funding. Qualification objectives instead, with the additional lack of appropriation and restrictive revenue acquisition, harm the skill improvements of graduates.

In the North, elite HEIs can focus on prestige and scarcity, but also have enough funding to provide good quality education. The source of funding can come from expensive tuition fees, revenue from commercialisation, and donations from the private sector. In Indonesia, the government and students give prohibition for

doing these ventures. Indonesia misrecognized the focus on qualifications as human capital investment. The combination of these create bad quality education, as Rosser (2018) notes in his executive summary:

Indonesia's biggest challenge regarding education is no longer improving access but improving quality. The Indonesian government hopes to develop a 'world-class' education system by 2025. However, numerous assessments of the country's education performance suggest that it has a long way to go before it achieves that goal. Many Indonesian teachers and lecturers lack the required subject knowledge and pedagogical skills to be effective educators; learning outcomes for students are poor; and there is a disparity between the skills of graduates and the needs of employers (p.1).

In the interpretation of what young Binus can do, it is not always about how they do not place restrictions on funding, but also less responsibility as private institutions. They focus on marketable degrees like information technology and only have marketable humanities related programs of study. Besides that, as private HEIs with no restrictions on the acceptance of students and high tuition fees, all of their students come from high SES families. This condition creates a clear advantage, with easily obtained acceptances in the Indonesian job market post-graduation.

As the quality of education is low, signalling is very important for recruitment in the job market. Based on the reports of surveys from two headhunting companies, Michael Page (2018) and Robert Walters (2019), there is a stiff competition among companies in recruiting talents. They offered more than 20% pay raise if the talents are happy to move to another workplace offered by the job-hunting company. On the other hand, based on statistical data reported by Statistics Indonesia (BPS), there is an increase in the open unemployment of higher education graduates (Saroh, 2016). Many companies need human capital with good competency and are willing to pay a premium for them. However, they are unwilling to recruit new graduates with low signalling levels, since it is an expensive process and requires many investments if the HEI does not provide good human capital in exchange. Thus, the competition for recruiting people with 'experience' and good signalling can be extreme, while many graduates cannot find secure employment in Indonesia.

## **7.5 What are the perspectives of administrators on the use of the UKT policy for the funding of equitable participation within the higher education system? How?**

Unlike the failure of reaching human capital objectives, which cannot be pinpointed to the weaknesses of the goal itself or through the effects of social justice objectives, there is no mistake in the sole reason social justice objectives cannot be achieved by barriers to the needs to achieve the goal of the human capital objective. As much as it can be said that the problem is in the wrong interpretation of the goal itself that makes the problem; however, my interpretation, drawing on the interviews, is that social justice's goals in law number 12/2012 cannot be implemented without obstructing the human capital objective of government.

On paper, the government shows the agenda of social justice by forcing public HEIs to accept a minimum of 20% of students from low SES; however, the government is not interested in implementing the policy. As stated by many leaders of public HEIs located in the eastern part of Indonesia (see 5.6) and respondents in the current study's findings, the government does not support equity for social justice as promised in the Constitutional Court documents. The government seems not to put social justice as their priority. They do not have any evaluation leading to rewarding or penalising the public HEIs regarding social justice. Meanwhile, the government shows an apparent interest in the implementation of the agenda from the human capital objective of competencies. The government gives a large reward in the bigger area of grants (BOPTN) allocated to reputable public HEIs (see the chapter of Funding Reform of Higher Education in Indonesia). In addition, every leader at a public HEI must sign a performance target pledge every year. All the performance targets have intersected in making 'world class' universities that need big funding, but not forcing them to form equity related objectives.

With the need for funding to achieve the target, implementing the UKT policy can become a big burden. The initial design of UKT stated that students pay different tuition fees based on their evidence of socio-economic status. The case study of HEIs demonstrates the application of UKT policy in different ways, but all can be seen as harmful to equitable participation. A senior administrator at the

participating university in this study contends that there is a need to stop the responsibility for increasing the number of students admitted to the University because of the need to reach 'world class' objectives (SAU2). The need to stop widening participation programs related to the implementation of UKT at the University is based on the initial design. This creates a problem for funding, as the allocation of BOPTN by the government is too small, and many students pay tuition fees in low levels of UKT, while a high percentage of students ask for an adjustment in the UKT level allocated to them. Thus, to make sure it is enough, SAU2 said that the University must limit the number of students accepted to ensure that the available funding is able to reach the government's vision of 'world-class'.

At the Polytechnic, the message is 'without money, you cannot participate.' As the information is available to the public, students need enough funding upfront to participate. The polytechnic adopted the allocation of tuition fees based on the admission path, not on the economic capabilities of students. However, students can ask for a waiver, but the information is not publicly available. The lack of subsidies, and the ease of cheating the data, as well as the pressure for funding the activities, leaves administrators withholding information on the availability of a needs-based tuition fee rate, as noted:

When we register, we get the total fee that must be paid. There is no level (based on socio-economic condition), but it is equal for all, based on the admission path... We distributed a brochure saying the fee is only the 3 million minimums. So, the slot for level one and two is here only when there is a complaint. (SP).

Here it is shown how the Polytechnic must have enough funding. The funding needed by them is to fulfil the performance target allocated to them by the government.

At the School of Arts, the policy is to put out a quota on the number of students accepted to pay the two lowest levels. The mechanism works on a first come-first-served basis. The students who are not included in the quota must pay the highest level of fee, and if they are not able to pay, then they are considered to be resigned from enrolment. The pressure comes from the need to get funding for many activities that become their performance target, and a lack of appropriation from the Ministry in funding them (AS2).

All the above shows how the different attitudes of the government to human capital relate the objectives with the effects of equity on UKT policy. I have identified three elements that are unrelated to UKT policy but have bigger roles in creating barriers to the implementation of equitable participation by UKT policy. These elements influence one another in all areas of the implementation process and contribute significantly to the failure of UKT to push HEIs to implement equitable participation. They offer valuable insights to understanding the mindsets and beliefs of administrators in implementing UKT policy, and of the value in showing how they are reluctant to make equity-friendly decisions.

### **7.5.1 The Fierce Competition in Admission Only for The Poor**

The findings and chapter on Indonesia reveal that the selection of students from low SES can be provided with a place in public universities, posing challenges in terms of competition-based admissions. The fact is confirmed based on respondents' perceptions, showing that the most significant challenges experienced at the case study HEIs to implement equitable participation are the small pool of students from low SES who can pass the test. The equity here is interpreted as an equality of opportunity with less concerns in levelling the playing field. It has been revealed that the students who are able to get a place must go through fierce competition, especially for students who want to get a low tuition fee.

The students from poor socio-economic backgrounds cannot compete in the tight admission competition. This condition might be due to the availability of private education in Indonesia. Many private schools have excellent facilities, good teaching and learning environments, which are conducive to the better performance of a student. Most of these schools charge high fees and thus favour the well-to-do families.

Furthermore, in Indonesia, many disadvantaged students need to work while studying, even students at elementary school (BPS, 2016). They must also do household chores such as cooking, cleaning the house and babysitting. These conditions are not conducive for their preparation to be successful in passing the test. On the other hand, they also need a large sum of money to pay for participation in shadow education. Shadow education is considered by many as a requirement in Indonesia to pass the tough admissions test (Zaenudin, 2019). The

shadow education does not provide any knowledge, but more on the know-how to pass the test. The fee is quite high since the exclusive ones can ask for Rp. 57 million (about £3,100) for one month of extensive preparation (Hidayat, 2019).

This situation creates the chance for children from well-to-do families to pass examinations more than students from low SES. Moreover, this is expressed more when the demand for higher education becomes higher, as Dundar and Lewis (2002: 171) state:

In countries where the demand for higher education exceeds the supply, seats in higher education are often distributed by competitive examinations without any consideration to its equity effects.

This is contrary to what the Constitution mandates on what education should and would be. The Constitution of Indonesia clearly gives responsibilities to the government to develop intellectual life (*mencerdaskan* in Indonesia) of its citizens, adhering to the social justice principles and guaranteeing the right of every citizen to education. There is a need to highlight the *mencerdaskan*, which is based on the official dictionary of the Indonesian Language by the Ministry of Education and Culture and has a meaning that strives to make perfect development of the capacity for thinking, understanding and other activities of life. The government promised in front of the Constitutional Court that the law number 12/2012 would bring equitable participation as the fulfilment of the mandate. UKT policy and the Mandiri admission path promised to be the instruments used to level the playing field. The abolished law number 9/2009 that supposedly brought forward full autonomy for the commercialisation of public HEIs is based on this law, judged by the Constitutional Court, making the government unable to fulfil these promised responsibilities.

According to Furlong and Cartmel (2009), social justice is about just societies, equal opportunities, the equal distribution of rewards, characteristics that are often undermined by, in this case, universities and have a significant role in underpinning social justice. For Sen (1980), the currency of justice should be about the capacity of individuals for a functional life; that is, the capacity to accomplish specific tasks essential for a normal life. As stated by Sen, there is no perfect recipe for making a just society, but at least four potential objectives that people must have, as divided into two dimensions: agency and wellbeing, and



freedom and achievement. These usher in four likely currencies of justice: the freedom or ability to realise individual goals and one's well being.

According to Sen (1999), the standing of education is the effect on the freedom/ability expansion of individuals. The focus is on freedom/ability as a fundamental moral of education. The freedom/ability is not only the goals (for freedom/expansion) but also the instruments used to realise other goals. For Sen, the main focus is not on the outcomes of personal accomplishment, but on the fact of having opportunities for a choice, action, or behaviour (Sen, 1999). Education for social justice, therefore, responds to an individual's internal demands for the right for choosing their own life path.

It can be seen from the admission exam used in Indonesia that there exists the exclusion of many students from low SES. The situation is that more students from well-to-do families dominate participation in the case study HEIs. What is striking in this condition is the dominance of public funding in pushing case study HEIs to that course with performance targets and fixations with 'world-class' status, which push administrators to ignore social justice objectives in policies through the pressures of government and society.

UKT policy does not tackle this problem. The Mandiri admissions test was promised as an instrument for social justice by the government when they defended the higher education act in Constitutional Court:

National admission of new students is only seen from one aspect namely equality of non-discriminatory access and not yet to accommodate tasks of government to overcome the social disparity of the prospective student population... New student admission tests that are independently run by public HEI, (call Mandiri) is a form of state affirmation... If only rely on SNMPTN (National Selection Entrance State University), then children from low socio-economic status families will be difficult to compete with his colleagues from wealthy or high socio-economic status families who have facilities, studies in good schools, have far more preparation both through the guidance of tests, study groups, and others. (Putusan No. 111/PUU-X/2012, p.57-59).

However, in practice, students from low SES cannot access HEIs through the Mandiri admissions test. The students from Mandiri must pay the highest level of tuition fee. The Polytechnic even asks students from this path to pay an additional fee. This action was allowed by a new regulation published by the Ministry in 2015.

Students from low SES not only must tackle the difficulty in passing the test, but they also experience discrimination based on less accessible tracks available to them. The recent viral video in Indonesia shows how a father is crying out with his daughter after the tuition fee outside of their financial capability is allocated (Setiawan, 2019). The rector of this public University stated:

For the Mandiri route, the minimum [pay] of UKT 4 is Rp2.8 million (about £150 per semester). Improved service quality is also related to the input cost budget from the UKT. Please understand.

He also stated that the University decided to implement the similar policy for Mandiri as other public HEIs after they observed the implementation of UKT policy. The university then only accepts students who can pay the level 4 of UKT. For those who could not afford, the Rector only said, “They’re just unlucky”. The attention on human capital related objectives forces out the need to fulfil the equity related objective.

### **7.5.2 Social status on government funding**

Demonstration rallies with a banner defending equity by rejecting high tuition fees can be seen as defence for the right of low or free tuition fees for all, instead of defending equity. For example, at the School of Arts, many students declined to participate for being late in paying the tuition fee. One of my participants is also a victim of this policy. However, there is no demonstration rally to defend their right to participate. On the other hand, the introduction of the low sum of the bank transfer fee (£0.2) is rejected by a massive demonstration rally.

I did fact-checking of the online news about a demonstration rally from students over UKT. There are lots of news reports that show many students at public HEIs rejecting UKT (Indrawan, 2016; Inge, 2017; Facette, 2018; Harianto, 2019; Harlina, 2019). However, I was unable to find any news report that students rejected Mandiri admissions path, and no one asked for special admission tests for students from low SES.

One question to ask is, how many students in higher education now are from low SES? According to data presented in an earlier chapter, like many countries in the global south, students with low SES are an insignificant part. As the students with low SES also do not have the luxury time to participate in organisations on

campuses, in the end, the activists are mostly from students in higher SES. The administrators from case study HEIs present that the pressure they face is regarding low tuition fees. The interest of low SES students in levelling the field to obtain access to participation in higher education or critiquing the discrimination of access due to the Mandiri admissions path (promised by government as a tool for equitable participation) was not shown in any of agendas by students' demonstrations or in pressure received by administrators.

Participation in higher education is primarily related to job prospects. In the findings, administrators at the Polytechnic admitted that the high number of applications on the admission test, much beyond the number of available places, is for one sole reason that Polytechnic has a good reputation, whereas a high percentage of students can get a job even before graduation. On the other hand, from the perspective of administrators at the School of Arts, parents are unwilling to let their children be admitted to their institution. Participation at the School of Arts is considered to hold low prospects for getting a decent job and graduates have low social status. SAS1 provides information that there are students from high SES who ask for a waiver because their parents do not allow them to study the arts. At the University, the SAU<sub>1</sub> believes the program that offers the best social status can attract a higher admission fee.

Indeed, within the human capital purpose of higher education, participation is a tool for class reproduction with 'where to go and what to study' as the essential factor in social status (Bourdieu, 1990, 1999; Weis, 2016). Visible modes of the links between social status and education take form and shape pressure towards intensified anxiety among relatively knowledgeable students and parents from middle-class families. Such intensified anxiety is tied to a sharply enlarged drive towards participation in public higher education institutions that relatively knowledgeable middle-class students and parents conceptualise as crucial for class reproduction (and even mobilisation).

Moreover, students act not only as consumers, but also as investors. As described in the Findings chapter, some students feel that the tuition fees they are paying are not worth the value of the services they receive. They reject the facilities provided to them with the expensive payment. The most extreme view was shown

by one of the respondents who criticises the same service the respondent has with students who receive free education:

With the UKT of 10 million (about £550), [with] an entrance fee of 5 million [about £275] I have the same service as, sorry, probably the *Bidikmisi* students who do not pay at all. We are the ones needing to pay in 1 semester 10 million with zero... However, there is no optimal service that is worth it with our payment. We must get the maximum service (SP1).

From a critical point of view, equity simply cannot be achieved in a higher education system where students feel they need to pay for other students. Garritzman (2016) notes that it is difficult for people to accept that they need to get less benefit than the fee they paid, to be able to pay other people even as a form of social justice.

One of the central themes that was protested by students in the interviews was the overpriced tuition compared to the quality they accepted. However, the problem they protested was not about quality, but as if the quality of the education is less of a priority than the need to pay lower tuition fees. On the other hand, no one criticised the Mandiri admissions test for discriminating against students from low SES. However, their main concern is the investment, and they need to reduce the fee paid by the 'costumer' (students) as low as possible to reduce the risks.

The argument here is that the main stakeholders' voices should be at the heart of the policy implementation. This point addresses the fundamental influence and notion of consultation, collective participation, and power to be heard in policy implementation (Ball, 2006). With this consideration, the most influential stakeholders, the students and government, have different pressures to consider at the case study HEIs. The pressure from students is mainly about low tuition fees. Meanwhile, the government put pressure on developing its reputation.

At the public HEIs, for facilitating equity in the implementation of UKT, they must make middle class students pay a much higher tuition fee compared with the past funding policy to subsidise students from low SES. Public HEIs must also accept students from low SES with lower academic ability and almost without payment to participate, if they want to follow the requirements of the social justice agenda. In this case, public HEIs must disturb the need for middle-class

expectations of getting a cheap investment in qualification and reduce resource and academic rigour that affects signalling ability for graduates' qualification. In the end, it is all about an investment in social status with the help of government funding, and not about education in and of itself.

### **7.5.3 An Unwillingness to Pay for An Equity Program**

My findings show that students have protested that UKT does not fulfil the right of citizens to get an education. However, they remain focused on the tuition fee and not the unfair processes part of the competition for participation in higher education. The main argument is always that students from low SES with 'good academic capability' cannot participate after passing the test because of the financial barriers. It shows a misrepresentation of thought, related to equality under meritocracy. The equality under meritocracy is itself promoted by the competitiveness approach.

Moreover, the government has too low a capacity to cover even equality based on meritocracy in higher education participation as the tax revenue is limited, and many subsidies compete for the allocation (mostly benefiting high SES citizens). The revenue of the government is very low, where the tax to GDP ratio is below 11% (Editorial board, 2018). Personal income tax only accounts for about 10% of the total tax revenue (*idem*). Many self-employed people become tax evaders (*idem*). On the other hand, the government must pay a big sum towards energy subsidies, which mainly benefits high-income groups (Mourougane, 2010). However, any attempt to abolish this subsidy politically is not an easy task, as it is always confronted with a massive demonstration. Besides this, the government also must cover the big loss of the provider of universal health insurance (Rumpoko, 2018). One of the main reasons for the significant loss is 17 million people (the premium of the poor paid by the government) do not pay the insurance premium while accessing the benefits (*idem*).

In the context of the socio-economic rights of low SES citizens in Indonesia, there are many policies that are said to protect them, in rhetoric, but the implementation only acts in favour of people who have big political and capital and maintain political stability (Rosser and Van Diermen, 2016). Many allocations of subsidies take up the name of guaranteeing disadvantaged socio-economic

rights, but are enjoyed primarily, or corrupted, by the middle class or politicians, including education subsidies (idem). The conditions also indicate how the middle class in Indonesia does not really want to pay for equity.

Based on an analysis of data from 33 OECD countries from 1997-2009, Garritzman (2016) specifies that when the right-wing party takes power, the policy of the government does not want to cover the costs of equity in higher education participation. This theory also can be seen in the imbalances of political power, the policies always preferring to fulfil the needs of higher SES citizens. He hypothesized that the reason is that higher SES citizens that control the right-wing party are reluctant to 'pay disproportionately much more for and benefit disproportionately little from this progressive (redistributive) spending' (2016, p.20). The anxiety of additional investment needed to pay meanwhile adds more people to compete in the job market, which can create further rejection. In this case, the social justice promise can be understood only for political stability or masking the need to look like the government is following the Constitution so the policies can be implemented.

Indonesia has an imbalance of political power. In Indonesia, the citizens from low SES have low political power. Money is the main reason to choose a political candidate and is the norm for low SES citizens. They also often demonstrate to defend or against any policy as long as they are paid (Collins, 2007). Collins states that the poor do not have a voice in decision making processes in Indonesia. The government can and already has made many policies that speak to equity, but in implementation they are not really for the poor who need it most.

In Indonesia, we have a good constitution that puts forward social justice as its main concern. However, the imbalance of political power creates the objective only on paper. The policy does not have any guardian on implementation. The people who benefit from these policies do not have any political power to monitor it. They can easily ask to defend the policies that harm them, support the politicians who do not defend their rights.

## 7.6 Summary

It has been noted that two major discourses of objectives appear to drive the UKT policy: human capital and social justice. These objectives also became the research question, wherein the social objective translates to equity, while the human capital objective focuses on competitive advantage. This chapter started with a discussion on the findings concerning the objectives of the policy. Then it continued to advance a discussion and analysis on the two sub-questions of the study, namely how the objectives interact with one another. The discussion indicated that the tension between the human capital and social justice approaches affect the fulfilment of the human capital objective. However, the misinterpretation of the human capital objective itself plays a part in the failure. On the other hand, the objectives of human capital hinder any implementation of policy related to social justices. Within the social objective itself, there is also a misrepresentation that it is about equality based on meritocracy, not about equitable participation. Even though many equitable participation policies are available in the policy paper, there is institutional pressure to ignore them when they conflict with the human capital objective. The objectives of the social justice approach are only available in paper with no one supporting or monitoring the actual implementation. One of the main arguments of this chapter is that there exists a significant gap in reaching the social justice objectives within implementation and the main obstacle is the imbalance of political power.

## Chapter 8 Conclusion

*I argue that the central problems with American education are not pedagogical or organizational or social or cultural in nature but are fundamentally political. That is, the problem is not that we do not know how to make schools better but that we are fighting among ourselves about what goals schools should pursue... The answer lies in values (what kind of schools we want) and interests (who supports which educational values) rather than apolitical logic. (Labaree, 1997, p. 40)*

### 8.1 Introduction

This study has analysed and explored views held by the government on what role human capital and social justice objectives take up in the argument from Constitutional Court documents and examined the aspirations and expectations of leaders at public higher education institutions (HEI), as well as students on the UKT policy itself and its conflicting differences. The findings show the tactics through which the government expects to reach these objectives, and the realities of the implementation expounded by conflict and opinions of local policy actors at public HEIs as shown in the national news. The study has analysed the opinions of administrators, lecturers and students at three different public HEIs regarding the attributes they wish for UKT policy and their evaluation of its implementation. Their views have critical implications for both theory and policy as discussed in this research and considered later in the chapter.

### 8.2 Summary of Findings

In the literature review (see Chapter 3), a number of scholars have discussed potential trade-offs between societal goals in the funding of HE. Those policy approaches mainly concerned for economic competitiveness goals promoted reforms that aimed to expand the quantity and quality of workforce educated in HE. On the other hand, those approaches mainly concerned for social justice goals promoted reforms that aimed to expand the access to education as a matter of human rights. As it could be easily imagined, the reforms recommended by the two approaches tend to be difficult to reconcile.

After reviewing the literature, I have analysed the objectives of Uang Kuliah Tunggal (UKT) policy and the 2012 Higher Education Act, through the available



policy documents (Chapter 5). The Constitutional Court document has been particularly important to understand the most important policy goals of the reforms. It clearly shows how the main priority of the government for HE is to prepare a workforce that contributes to the competitive advantage and economic growth of the country. However, in parallel to these economic goals, the document also makes explicit reference to the capacity of HE to build a society that is more just.

The government presents its HE reforms as policy solutions to achieve both goals simultaneously. In the government discourse, there is no apparent contradiction between the objectives of widening participation and increasing the returns to investment in HE. In fact, many policies that had been recommended internationally to widen participation in HE were included in the national reforms. The policy documents recognised that students face large social inequalities when competing to get access to HE, what justifies the intervention from public authorities to support the most socially disadvantaged students. Thus, in the managing of higher education institutions, the main role of the government remains for social justice objectives.

In terms of the funding schemes of the UKT policy (chapter 5), I found that the ambiguity of the objectives creates conflict between elite public HEIs and non-elite, regarding the allocation of resources. However, the biggest conflict is between students and public HEIs. Many demonstrations were organised by students to complain against public HEIs disregard for social justice objectives. On the other hand, public HEIs complained that the equity objective limits their capacity to generate revenue, as students cheat on their socio-economic data. They argued that more funding was required for them to be able to compete at the global level. Thus, many of these HEIs found their own ways of expanding their sources of income in the implementation of the UKT policy.

In chapter six, this conflict becomes more apparent in the study as some misconceptions appeared on both objectives: social justice and competitiveness. There are mixed views provided by the respondents. They agreed with the view in the literature that HE exists mainly to create human capital competitiveness. This idea is directly linked with the assumption that the HE system has been designed for the brightest students. However, at the same time, the respondents

also criticised the unfairness created by this system and recognised the importance of social justice goals in HE. The administrators and lecturers in the interviews critiqued the government for their favouritism towards elite HEIs. Many respondents put forward that the elitist HEIs not only have a higher budget from the government, but also more autonomy over their money-making ventures. The participating students however, complained about the need to pay for the tuition fees based on the idea that it is the responsibility of the government to provide education for all.

This chapter also shows the position of producing labour for the job market, and how competitiveness has HEIs in need for chasing money. For example, they need to expand their capacities, provide better remuneration for academics and staff, as well as better studying and supporting facilities. However, the main need for money is for accreditation and reputation. With the lack of funding, the money itself is also for qualification rather than for academic roles held in the minds of the sample administrators. The money allocated by the funding team for competition, for performances or activities, are to show the biggest impact on accreditation or job placement prestige, and for research are to show that respectable international journals were prioritised.

The findings show that the policy does not work, as the conflict between these different objectives is apparent. This failure is especially apparent with the social justice objective. It is interpreted as equality by meritocracy, reason for cheap tuition and the need for subsidy from the government by all respondents. The administrators show that they need to create a system of gatekeeping that limits disadvantaged students from participating. The main reason is the funding problem. They were more inclined on the reaching of the human capital objectives, and the flow of money also to reach this objective. In this case, even though the three public HEIs have different strategies to social justice, the misinterpretation and pressure on funding puts forward social justice as a policy existing on paper only.

One surprising obstacle is that the pressure from powerful student organisations is not really focused on the equity issue. The responses from the administrators and the students show that the attention is placed on 'cheaper' tuition fees. The document however showed that the Mandiri path is initiated to affirm the

disadvantaged students to have more access to the public HEIs. The students somehow have missed this information as they did not argue the implementation of the Mandiri path. The students from rich households thus can participate in the public HEIs through the Mandiri path or by manipulating their data to pay low tuition fees without any counterattack from the student councils. There is also much pressure from students who pay high costs but feel they do not get enough access to good facilities. This pressure comes from a lack of facilities because cross-subsidies are seen by students to be corrupted by administrators for their own use.

This study has identified that the policy makers create the UKT policy by combining two contradicting objectives: making higher education supply the competitive workforces while promoting equality of opportunity for equitable participation. However, the respondents understand the UKT policy is all about competitiveness. The social justice referred by the respondents inclined more on the idea of justice promoted by Brighouse (2004) called libertarian value. The libertarian value of justice focuses on individuals not on social aspects. This finding suggests that social justice is only used for political jargon in justifying the funding from the government and to demonstrate conformity with this constitutional idea. These findings are rather disappointing.

### **8.3 Critical Overview of the Research**

This research aims to gain insight into how the social justice goals interact with the human capital goals within the funding policy, to achieve both goals within middle income countries. Its focus was on opening an area of investigation about an innovative funding policy that had not yet been explored. This section provides a brief discussion of how the focus has been quite different from much literature regarding funding in developed countries.

The first theme is the prescription by literature related to human capital funding of higher education, which is more complex and multi-faceted in middle income countries (MICs) than in developed countries. There are clear competing demands of funding between producing competitive educated labour demands, and responsibilities for providing equal access to education even only based on meritocracy that are not easily solved in MICs. In chapter five and six, there are

contradictions between public HEIs and their students. The public HEIs observe that students cheat their data to get lower tuition fees. It creates a big problem in their ability to achieve the funding targets needed to achieve human capital related performance targets from the government. Meanwhile, the students can be of the opinion that public HEIs are only after more money without care for equality of participation. There are many demonstrations organised by students to press public HEIs to lower tuition fees.

In addition, the data from the second chapter shows that Indonesia already failed twice in the experiment to implement student loans. This condition means that Indonesia can only use appropriation to HEIs and/or financial aid. Indonesia cannot comply with the competitive objective as suggested in the literature. It is not possible for the HEIs to have full autonomy as the government needs to intervene. Without the subsidy provided by the government, the fee will become a barrier for many talented individuals. The competition based on equality under meritocracy will then be hard to achieve.

The problem of funding is also more complex, because the government can put down a policy on paper, without any money to back it up. It can be seen through what the government promises in the Constitutional Court, and press releases on grants (BOPTN) to cover the standard cost (BKT), in contrast to the reality of funding actually available. The non-elite public HEIs give the impression that they face discrimination over grants allocation. They have a bigger responsibility to cater for the less capable disadvantaged students who cannot pay big money but receive less BOPTN, while at the same time need to chase the elite world rankings, international accreditation, and produce competitive educated labour.

In addition, the power of democracy is weaker in Indonesia. The government quickly broke their promise without any backlash from opposition. The government in charge can pass new policies that contradict the initial translation of the law, and it goes unnoticed. It can also be seen from what the government promises as the special admission for disadvantaged students in Constitutional Court documents, which can be easily transformed into admission routes for money making.

All these conditions show how the money for making participation equal for all even under meritocracy rule is not really available. The competitiveness in HE system is only the driver for making or burning money to chase prestige. It can really harm the equality or equity policy in Indonesia more deeply than in the developed countries.

Students from low SES face more barriers to get the same right to education in Indonesia compared to low SES students in global north countries. Their road is complicated, even without the funding factor. The statistics in chapter 3 show how it starts with birth, where many are born to a family in which they need to take care of themselves, take care of younger siblings, and even work. Many low SES students also live in rural areas where they put their life on risk only for getting to school (see Chapter 2). The research from OECD (2015) also shows that they participate in private schools for the low SES students, with poor facilities and budget for a fifth of public schools (see Chapter 2). The private schools are unique in the MICs, as they are much worse than the public schools. The public schools have been criticised in many studies because of their low performance.

The higher SES students do not face these problems. They can participate in elite public or private schools with better facilities, curriculum and faculties. They also do not compete with 'just individual conduct'. These students can cheat with a better network and information to pass through admission without a test. There is also participation in expensive shadow schools that can provide them with preparation to pass the test without any real academic ability (see Chapter 7). Accompanied by those problems, low SES students must compete with students from higher SES to get the limited places available at public HEIs. Thus, the application of the meritocracy concept has bigger flaws in Indonesia than what is found in developed countries.

This study showed how hard to fulfil the right to education both for the equality of opportunity or meritocracy. Funding is a big issue for low SES students as the government tries to make education based on investment for a competitive objective. The important issue in human capital versus social justice cannot simply be about stratification or fair competition. There is a clear violation of education as fundamental human right in the Universal Declaration of Human Rights 1948,

and in the National Constitution 1945 of Indonesia if competitiveness value is applied.

In this thesis, another critical issue is how the financial barrier creates weakness around the idea that investment in the competitiveness of labour and HEIs can help economic development in Indonesia. The first issue relates to the need for big funding. The problem of funding put public HEI in the dilemma. Based on the interviews, respondents acknowledge that the government itself is unable to provide enough funding. This condition happens in education based on the statistical data already accounting for more than a fifth of the total government budget. Public HEIs also cannot secure the financial deficit from the students or other private sources as there is a political barrier.

On the other hand, much human capital literature puts forward that there is a need for big money to finance the education that brings forward competitive educated labour. Especially for the competencies needed for STEM that not only require expensive facilities, but also high-cost research for the lecturers with technological advancement. The conditions that are admitted by interview respondents, which lack funding, affect the quality of education and access. This also conforms to much research showing how a lack of funding prohibits Indonesia from having enough skilled workers to be truly competitive within the global labour market (Rosser, 2018, 2019).

The skilled workers provided by HEIs in Indonesia are barely even good enough for local business and industry. The impact shows how the numbers of unemployed citizens with higher education degrees is quite high, according to statistics from Indonesia's official agency (chapter 7). This condition is not because of lack of job vacancies, but it is due the result of companies who do not trust their competencies. This is shown by the report of two job hunting companies, that there is fierce competition on the skilled worker with job experience (see Chapter 7). There is an acute problem of lacking talents in Indonesia, also admitted by much research in Indonesia undertaken by the World Bank and private institutions (Rosser, 2018).

The second issue relates to the theory of competitive advantage. If the theory is true, then the MICs do not have any chance to become developed countries. The

problem lies in what Friedman said: 'imperfection' in capital for investment, within human capital, creates underinvestment if there are no student loans backed by the government. The void of a universal loan system for students in the MICs creates problems, in that many individuals cannot participate in lucrative programs that relate to industries needed for national competitive advantage. This problem puts forward a "non-competing" group who have the financial backers of their families to be shielded from competition by the lack of capital for many 'able' individuals. Thus, MICs cannot really develop their human resources fully.

Steady competition with developing countries, who can develop their human resources, is not possible. The financial barriers are not debatable and more clearly affect the aspirations of many students from low and even middle social status, as admitted by respondents in interviews. As shown from my interview and news analysis, many public HEIs put special admission on the 'prestige' program study. The place of lucrative program studies can be seen to be for sale. Thus, the people who participate in these programs of study are not really the most 'able'. On other hand, many 'able' students cannot participate because of the barrier of funding. It is undeniable that this creates a lower quality of labour as presented in the labour market in MICs.

Furthermore, as the funding is not enough, it shows in the discussions of how the focus of competitive advantage can be easily interpreted as a problem of ranking, instead of human potential. With the addition of lower funding that affects the quantity, the amount of competitive skilled labour provided must be much lower. The number cannot really help MICs to chase the levels of developed countries through competitive advantages of quality and competent workers. As the pool of specific competent labour is not enough to create an industry advantage, it is easy for developing countries to face a 'brain drain' with the limited opportunity for talented people available in MICs. The big impact on this condition is that the investment of MICs cannot help their competitive advantage but do have the potential to help developing countries more.

The third issue regards the negative effects of inequity, and the bigger gap in wealth by education. Based on what is said above in regard to student loans, appropriation or direct aid cannot function properly to eliminate barriers for students from low SES and would make higher education off limits for most people.

In this case, funding from the government would have low economic value, as tax allocated to people that have high probability goes to higher education without subsidies. In addition, the statistical data shows high tax avoidance in personal taxation for the people with high income. Thus, the objective for the investment in revenue return from tax, with higher rates of productivity of human capital, is not achieved. Furthermore, as the funding creates more of a wealth gap, it further produces social disturbances that affect the net economic benefit of such investment for economic development. Thus, investing in this objective to create inequity would not bring much return to the investment promised in theory by the literature of investment in the higher education field, while also affecting the sustainability of economic development.

Hence, in this research, many rules and actions prescript in the theory of higher education for the competitive advantage of human capital for economic development does not work in Indonesia. The main problem relates to conditions in Indonesia itself. However, I also agree with what Labaree (1997) notes in the above quotation, that the biggest problem is political. This research shows that the problem is not only about fighting over the specific goals of HE policy. There is a big imbalance of political power, which makes social justice or human capital exist only on paper.

## **8.4 Limitations of the Research**

This investigation into funding policy reform is essentially exploratory research, using an interpretative qualitative method in order to research this policy in depth when related to the context of the identified goals. This does limit the generalisability of the findings. This research is limited to three public higher education institutions in the prosperous Java Island of Indonesia. While the Polytechnic is elite, they cannot wholly represent the real elite of universities that belong to PTN-BH. The School of Arts cannot represent the bottom institutions of public HEIs, as it is in Java Island. There are many institutions outside Java Island that have much lower resources, especially in the remote islands or near the border area. Therefore, the profile of academics, students and administrators can vary and affect perceptions. Other public HEIs may face different challenges, particularly with regard to organisational and leadership culture in relation to the affinity of the goals.



Students chosen for the sample were also problematic. I do not have many representatives of students, especially disadvantaged ones, as I considered them not to be my main concern. My sample mainly came from students in the high levels, as they were more easily accessible. I only have one student from a disadvantaged background, at the School of Arts, as coincidentally he was also a member of senate. He was able to give me rich data about the difficulties of students from low SES. I cannot acquire that data from the other two public HEIs, as I realise that the richness of the data relates to the equity problem with low SES representatives in the last institution sample.

## **8.5 Areas for Future Research**

As this research was based on a small, and thus limited, sample of public HEIs, further work could extend the size and scope of the project to include more public HEIs across different areas of Indonesia. This would allow for greater comparison between the different student bases and the different regional areas of Indonesia. It would also allow for greater similarities and differences to be drawn out between public HEIs.

First, it could be useful to establish more precise policy implications and look deeper into the impact of human capital for competitive advantage in funding, but also administrators' decisions regarding social justice objectives. It is true that I've found, in multiple cases, that there is a failure in the implementation of both objectives; however, I do not have a sample from any elite HEI. The elite HEIs do not only have more funding from the government, richer students and alumni, but also entrepreneurial ventures. On other hand, I do not have samples from low funding HEIs in remote areas. They can have a different attitude in regard to both human capital and social justice objectives. Especially with low funding and a lack of attention from the government; they are far from central and can provide different conditions and perceptions.

Second, there exist extensive cultural and regional differences in Indonesia. My samples are only from Java Island. Java Island does not show the magnitude of cultural differences in Indonesia, even though it does have the biggest share of population (more than 60 %), yet it is the smallest of five major islands. The culture is mainly affected by two major ethnic groups that do not hold much

differentiation, which are Javanese and Sundanese ethnic groups. It does not represent a multitude of cultures as found across Indonesia, that can affect attitudes and regional differences. It only represents one island of more than ten thousand islands with hundreds of ethnic groups. Thus, it would be interesting for policy implications to explore any heterogeneity of attitudes towards human capital and social justice objectives within regions with differences in ethnic groups.

Further research could be conducted to be focussed more on students. For example, how they translated the funding policy and its relationship to the goals for participating in HEIs. This study focused on the pressures on public HEIs, and their views on what objectives they follow when participating in higher education. In addition, this study can be an important subject to compare what attitudes they have between the needs for good grades with the needs for knowledge. This gap is significant in showing how human capital and social justice objectives are translated by students.

The next study could also recruit samples from pre-HEI students. It would be particularly worthwhile to investigate how they have been affected by the need to return to education, and to evaluate to what extent it has strengthened the pathways focusing on qualifications for young people in Indonesia. It would be worthwhile to understand how the need to return affects views on how to look for what they know is knowledge and compare the importance of admissions test results. The results of both would be significant in understanding how this expectation also affects what they hope public HEIs provide to them and can be connected to the political will of the government.

The study of pre-HEI could also be important to the lookout for social justice objective purposes. As said above, the low tax population means that the spirit of social justice does not really affect the population. In addition, the power of money is so strong in the population, that it is easy for people to sell their voting shares in political power. The need to understand the backstory from the conflict over education can be important.

# Appendix 1: Interview questions

## Indicative semi-structured interview questions

(More will be developed during the interview around the topics of implementation of UKT policy)

1. Are you willing for this interview to be recorded?
2. Can you tell me a little bit about your role in this institution?
  - a. job description
  - b. experience
3. How has this policy affected the institution in general?
  - a. Funding
  - b. Students' access and admissions
  - c. Quality of teaching and learning
4. How has this policy affected specifically your work in this institution?
5. What is your opinion about the positive/negative effects of this policy in your institution?
6. How the different opinions and interests of the members of your institution (ministry, academics, students, families) have influenced the implementation of this policy in your professional context?
7. How different do you think has been the effect of this policy in your institution in comparison to other HEIs? Why?

**Finally, ...**
8. Is there anything else you want to tell that has not been covered in previous questions?

**Thank you so much for your time. It's been great talking to you.**

## Appendix 2: Ethical Approval



College of Social  
Sciences

**12 November 2018**

**Dear** Muhammad Arifin Pelawi,

**Project Title:** Funding Higher Education for Equity in Indonesia

**Application No:** 400180027

The College Research Ethics Committee has reviewed your application and has agreed that there is no objection on ethical grounds to the proposed study. It is happy therefore to approve the project, subject to the following conditions:

- Research can only begin once permissions have been obtained from the University of Glasgow.
- Project end date: \_ 30/09/2020
- The data should be held securely for a period of ten years after the completion of the research project, or for longer if specified by the research funder or sponsor, in accordance with the University's Code of Good Practice in Research:  
([http://www.gla.ac.uk/media/media\\_227599\\_en.pdf](http://www.gla.ac.uk/media/media_227599_en.pdf))
- The research should be carried out only on the sites, and/or with the groups and using the methods defined in the application.
- Any proposed changes in the protocol should be submitted for reassessment as an amendment to the original application. The *Request for Amendments to an Approved Application* form should be used:  
<http://www.gla.ac.uk/colleges/socialsciences/students/ethics/forms/staffandpostgraduateresearchstudents/>

Yours sincerely,

Dr Muir Houston  
College Ethics Officer

**Muir Houston, Senior Lecturer**  
**College of Social Sciences Ethics Officer**  
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[Muir.Houston@glasgow.ac.uk](mailto:Muir.Houston@glasgow.ac.uk)

## Appendix 3: Letter for public HEI



College of Social  
Sciences

August 2018

Vice Chancellor

Dear Sir/Madam,

My name is Muhammad Arifin Pelawi. I am a PhD student at the University of Glasgow, United Kingdom. Your institution has been chosen to participate in my research entitled “Funding Higher Education for Equity in Indonesia”.

My research study focuses on exploring the influence of the UKT policy on funding and equity conditions in public higher education institutions in Indonesia. The research seeks to deepen understanding of potential dilemmas faced by higher education institutions when balancing their need for incoming generation and student equity. There are two methods I will use to gather evidence for my study: semi-structured interviews and documentary review. I would really appreciate it if I could conduct this research in your institutions. This will involve interviewing you and also officials in your institution's Academic and Financial bureaus. I also need to collect relevant documents created by your institution in relation to the implementation of the UKT policy.

I really appreciate you taking time to consider my request and would be very grateful if you would agree to be part of this important project. Thank you in anticipation.

Yours sincerely,

Muhammad Arifin Pelawi

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# Appendix 4: Plain Language Statement and Consent Form



College of Social  
Sciences

## Plain Language Statement

### 1. Study title and Researcher Details

Funding Higher Education for Equity in Indonesia  
Muhammad Arifin Pelawi  
This project is part of my PhD study.

### 2. Invitation

You are being invited to take part in a research study. Before you decide it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully and discuss it with others if you wish. Ask us if there is anything that is not clear or if you would like more information. Take time to decide whether or not you wish to take part. Thank you for reading this.

### 3. What is the purpose of the study?

The purpose of this study is to explore perceptions and attitudes of officials in public higher education institutions regarding the influence of the implementation Single Tuition Fee (UKT) policy on the funding and equity practice at institution level.

### 4. Why have I been chosen?

You have been chosen since you are an official in a public higher education institution that was selected as a sample for the research.

### 5. Do I have to take part?

You do not have to take part in this study. However, your contribution will be extremely valuable in helping me to understand the problem that you and your colleagues when implementing UKT policy. Even if you agree to take part but later change your mind, you can withdraw at any point with no consequences.

### 6. What will happen to me if I take part?

You will be asked to undertake an interview with me. If you wish to take part in this study, you will be asked to identify convenient time and location to be interviewed. I will ask some questions on your

perceptions of the impacts of the implementation of the Single Tuition Fee (UKT) policy on the funding and equity practice at your institution.

The central aim of the interview is to explore in some depth how you perceive the policy has influenced your institution's practice. The in-depth interview will last a maximum of 60mins. The interview will be audio-recorded if you give permission.

Interview tapes and transcripts will be held in confidence. They will not be used other than for the purposes described above and third parties will not be allowed access to them (except as may be required by the law). However, if you request it, you will be supplied with a copy of *your* interview transcript and so that you can comment on and edit it as you see fit (please give your email below). Beside that if you have a request, I also can provide my thesis and any other articles created based on your interview.

.....

This study will have no direct implication for you as an official at public higher education institutions. However, in the future this study could offer insights that could help to provide a better policy and understanding about the problem you face in the implementation of this policy.

### **7. Will my taking part in this study be kept confidential?**

Yes, absolutely. Your name will be anonymous. What you say in the interview will not be associated with you personally. Your name will not appear in any publications linked to this study.

Please note that confidentiality will be maintained as far as possible, unless during our conversation I hear anything which makes me worried that someone might be in danger of harm, I might have to inform relevant agencies of this.

### **8. What will happen to the results of the research study?**

The results of this study will be written up into a thesis as part of my PhD requirements. Where it is possible, I also hope to publish in academic journals and/or conferences. Beside that the data sets will be available in open repositories for future re-use. These publications will be used to inform dilemma in implementation at higher education institution level for funding their need while promoting equity. I will not identify any person who participated in the study.

### **9. Who is organising and funding the research? (If relevant)**

I am funded by the Indonesian Education Endowment Fund.

### **10. Who has reviewed the study?**

In conducting this research, I am under supervision of two supervisors from the University of Glasgow: Dr. Kristinn Hermannsson and Dr. Oscar Valiente. I have at least one supervision meeting with them every month.

This study has also met an ethical approval from the ethics committee of the College of Social Sciences, University of Glasgow.

### **11. Contact for Further Information**

If you wish to have further information about this study, you may contact me by email

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You may also contact the College of Social Sciences Ethics Officer by contacting Dr. Muir Houston at [Muir.Houston@glasgow.ac.uk](mailto:Muir.Houston@glasgow.ac.uk) if you have any concerns about the research I am conducting.



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