

Privatization of Higher Education in Indonesia

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Abstrak: Privatisasi adalah fenomena global yang terjadi di negara maju maupun negara berkembang. Indonesia mengikuti kebijakan privatisasi sebagai bagian dari kesepakatan antara pemerintah dengan IMF untuk pemulihan krisis tahun 1997. Salah satu bidang yang sedang dalam proses privatisasi di Indonesia adalah pendidikan, termasuk pendidikan tinggi. Privatisasi pendidikan adalah kebijakan yang keliru dan seharusnya dihentikan atas dasar pertimbangan: Pertama, pendidikan adalah barang publik (*public goods*) dan merupakan bagian dari HAM sehingga tidak bisa diprivatisasi. Kedua, privatisasi dapat melemahkan otonomi, karena perguruan tinggi dapat dikontrol oleh investor asing dan lembaga donor. Ketiga, privatisasi memperlemah kekuatan masyarakat sipil (*civil society*) karena posisi yayasan, tokoh masyarakat, organisasi social dan keagamaan yang mendirikan perguruan tinggi akan diganti oleh investor. Keempat, privatisasi menyebabkan biaya pendidikan tinggi menjadi mahal, sehingga masyarakat miskin tidak bisa belajar di perguruan tinggi. *Kelima*, privatisasi dapat menurunkan kualitas akademik perguruan tinggi khususnya pada bidang *humanity*, ilmu sosial, dan riset. Keenam, privatisasi yang notabene bagian dari kebijakan neoliberalisme bertentangan dengan Pancasila dan UUD 45 yang berpaham *welfare state* yang mewajibkan negara memenuhi hak pendidikan warga negaranya.

Kata kunci: *Privatisasi, Komersialisasi, Pendidikan, Perguruan Tinggi, Hak Asasi Manusia (HAM)*

Introduction

Privatization is a global trend both in developed and developing countries. Privatization of assets in developing countries including social services such as education is recommended by the IMF and the World Bank.¹ Privatization became a part of Indonesian state policy after the government agreed on privatization agenda from IMF as a way to overcome the economic and monetary crisis in 1998.²

Privatization of governmental assets has intensified after Indonesia issued legislation (UU) No. 7 1994 on the ratification of the World Trade Organization (WTO).³ Now, through the educational legislation (UU Sisdiknas) No. 20

2003, the Indonesian government will force the privatization of all public and private educational institutions by requiring them to take restructure to become legal bodies of education (*Badan Hukum Pendidikan /BHP*).⁴ The privatization of education means shifting the status of public and private educational institutions from private education under specific non-profit foundations and or public institutions to become legal bodies of education. The Government will reduce financial support to privatized educational institution as these have the freedom to earn their own financial resources.⁵ Furthermore, to manage in detail the privatization of education, the Indonesian government has proposed the constitutional draft on BHP which is still awaiting the house of representative agreement and authorization.⁶ When the BHP constitution has been finalized and authorized by members of the parliament, all formal educational institutions in Indonesia have to be privatized.⁷ Indonesia has also issued presidential decree (*Peraturan Presiden/Perpres*) No. 77/2007 to invite investment in education from domestic investors and abroad.⁸

This paper will discuss the privatization of higher education, based on the reason that Government prioritizes privatizing higher education, and has piloted the privatization of higher education in four higher educational institutions: University of Indonesia (UI), Gadjah Mada University (UGM), Bandung Institute of Technology (ITB), Bogor Institute of Agriculture (IPB).⁹

Criticism Against Privatization of Higher Education in Indonesia

Privatization and Human Rights

It has been argued that privatization of higher education does not contradicts human rights. Higher education, so this argument goes, benefits students only¹⁰ and is demonstrated by the competition between educational providers,¹¹ thus it is private good and is not part of human rights.¹² This demonstrates that education can be a market commodity which can be privatized.¹³ However, as Tilak,¹⁴ Tomasevski,¹⁵ and Iga,¹⁶ state education is a public good and part of human rights, so it should not be privatized. This means that higher education is also a public good and it is part of human rights.¹⁷ The reason for this is that education benefit not only students but also the community because it teaches

children their rights and obligations as citizens and also contributes towards building national identity and social cohesion.¹⁸ As public goods, higher education should not be privatized because a government is obligated to provide it to its society.¹⁹

Privatizations of higher educational institutions also contravene human rights regulations.²⁰ The reason for this is that on the one hand, human rights esquires governments to guarantee all the same access to education. On the other hand, privatization of education means that a child's access to education depends on the economical condition of their family.²¹ According to article 26 of the Universal Declaration of Human Rights and article 13 of International Covenant on Economic, Social and Cultural Rights approved by the General Assembly of the United Nations in 1966 decrees, governments should guarantee the same access to education for all people.²² Indeed, the government has an obligation to provide educational services.²³ This asserts education should not be privatized.

Privatization and Autonomy

It has been asserted that privatization leads to higher education autonomy.²⁴ This argument assumes that by getting involved in different types of market-related activities, Privatized higher educational providers have the freedom to create their own income.²⁵ In addition, Tilak explains that a substantial level of academic administrative and financial autonomy is enjoyed by privatized tertiary educational providers.²⁶

However, it is impossible for a privatized higher education sector to achieve autonomy. The reason for this is that privatization of tertiary education does not come from local initiative but is forced by international donors such as Paris Club, London Club, IMF, and World Bank.²⁷ Philip also explain that the World Bank, International Finance Corporation (IFC), IMF, U.S. Agency for International Development (USAID), Commonwealth Secretariat, and United Nations are international agencies which unequivocally promote neo-liberalism and privatization.²⁸

According to Haque, much of privatization in developing countries is caused by pressure from foreign interests, commonly because of a worldwide economic hegemony supporting privatization.²⁹ Asian, African, and Latin American

governments have been advised to follow privatization and market oriented policy by experts such as economists, accountants, and lawyers of large banks, management consultancies, bilateral aid agencies, and international financial institutions. These experts of course get considerable profits from offering their consultancy services. For example policy makers from America and England such Analysis Groups Inc., Arthur Young & Co., Rothschilds, Cooper & Lybrand, International Phoenix Corporation, Ferris & Co Inc., Salmon Brothers, and Equity Expansion International have acquired multimillion dollar contracts to develop privatization programs for developing countries and multinational economies.³⁰

Privatized assets of public enterprises have been bought by local and international corporations at 'bargain' prices, so those companies gained enormous profits.³¹ Assisted by local elites, a large number of Western investors have been able to get ownership of the most significant privatized assets in developing countries so creating the increasing economic dominance of multinational companies.³²

This evidence proves that privatized higher education cannot be autonomous because they must follow international agency policy and neither have financial autonomy because their assets are dominated by foreign investors.

Privatization and Strengthening Civil Society

It has been contended that privatization of higher education can strengthen civil society. This position goes on to further argue that a government control of privatized higher education is relatively weak.³³ Moreover, it is claimed that in general society as the client will gain more satisfaction from privatized tertiary education in terms of business operations. Indeed, the position of society so this argument goes as clients means that civil society representation can be strong.

However, Tilak explains that the position of foundations, social and religious institutions, the founders of private higher education are weakened by privatization thus weakening civil society.³⁴ In my opinion, private higher education represents civil society. This is supported by Tilak's opinion that private tertiary educational institutions which exist now are funded by non-governmental agencies, and they operate within civil society to provide

education as a public good.³⁵ This also Brey's view that societal groups may co-fund education in cost-sharing schemes.³⁶ Brey highlights that even though the intensity of support provided by religious groups differs in various nations, Muslim communities make significant contributions to the educational sector in Bangladesh, Indonesia and Pakistan.³⁷ In fact, some higher education providers are established by social and religious organizations such as Nahdlatul Ulama (NU), Muhammadiyah, Protestantism, Christianity, Catholicism.

Generally tertiary education in developing countries is more privatized than those in developed countries, and particularly higher education providers have increasingly changed their orientation from philanthropy to business.³⁸ Particularly in Indonesia, based on new planned privatization legislation, the status of private universities as charity organizations will be transformed into that of business institutions, legal bodies of education (BHP).³⁹ So privatized private university will be under market control, not under founder control anymore.⁴⁰

Privatization and Poor People

It has been maintained that privatization of higher education benefits poor people. This position goes on further contend that cross subsidy, loan and scholarship are beneficial for poor students.⁴¹ Beside obliging students to pay tuition fees for higher education, most governments also provide scholarships and loans.⁴² Unfortunately the access to tertiary education is still a complicated issue to confront, even though the governments offers scholarships for impoverished/low income families.⁴³ Research show that the level of poor people's involvement in tertiary education is still low, 3.3% (Triaswati and Roeslan, 2003), 4%.⁴⁴ Loan and scholarships cannot increase the participation of poor people in higher education because the complicated administrative procedure makes the loan an ineffective and unattractive way to help poor students.⁴⁵ Thus there is corruption in the system relating to getting info about scholarships.

It is claimed that privatization of higher education benefits poor people because with this government will give more financial support for poor students in primary and secondary education.⁴⁶ As a result of having inadequate budget, the Indonesian government focuses more on allocating educational budget to

primary and secondary education.⁴⁷

But, usually poor people cannot pay the cost and tuition fee of privatized tertiary education.⁴⁸ This is because the cost and tuition fee of higher education become more and more expensive. For example, in 2007 Bandung technological Institute (ITB), a pilot privatized institution needed Rp. 392 billion educational budget allocation. The regular tuition fee is Rp. 3.25 million/ semester far more unaffordable for students.⁴⁹ As a result higher education becomes a prestigious commodity that is only affordable by the rich, even upper middle income classes cannot access it.⁵⁰

Another reason that privatization harm poor people is that because privatized tertiary education gets reduced financial support from the government.⁵¹ They just receive a block grant from government based on their performance, so not all their expenditure is funded by the government.⁵² As a result the rate of cost-sharing is increasing in tertiary education.⁵³

Further reason that privatization of higher education can hurt poor people is because poor people can only afford to study in public universities, a relatively cheap higher education.⁵⁴ Whereas the number of public higher education provider is less than private ones in 2001, higher education: Public 81: Private 1.931.⁵⁵ An upshot of this is that if public higher educational institutions are privatized, poor people cannot afford to study at these institutions anymore.⁵⁶

To protect the opportunity for poor people to study in higher education, international regulation obligate a government to protect its citizen from discrimination in accessing education based on economic status, social status, disability.⁵⁷ This asserts that public higher education should not be privatized.

Privatization and The Quality of Education

It has been claimed that privatization of higher education increases the quality of education, because privatization can increase efficiency.⁵⁸ This position goes on to further claim that privatized public higher educational institutions which are run on corporate style focus on efficiency in running educational services reformulate their institutions, department and academic program. This leads to efficiency. In Asian countries such as Indonesia, the main reason for privatization is to enhance efficiency. Kelegama and Jiyad think that priva-

tized state ventures are more efficient and have better performance than non-privatized state enterprise.⁵⁹ According to Belfield and Levin, privatization is the essential policy to improve efficiency because private sector employ source more efficient than public sector.⁶⁰ So it is claimed that as a result of privatization, the quality of education can increase.

In contrast, the quality of academic education is worsened by too much focus on obtaining financial resources and a profit orientation.⁶¹ The reason for this is that in order to stay alive, privatized universities must sell educational services quickly and profitably.⁶² This is the “McDonalzdation” of higher education, like “fast food”, fast education is sold.⁶³ Ritzer explains that in McDonalzdation of education, universities teach educational consumption, with student becoming consumers.⁶⁴ Universities have to provide services like fast-food restaurants that are easily accessed. The desired product is a globalized McUniversity’ degree. As a consequence of the “McDonalzdation” of education, tertiary educational institutions must increase their economical capacity in order to be competitive in a global world.⁶⁵

Furthermore, after privatization education will be reduced by market demand by being market driven. As consequence, academic areas of study and research are often abandoned by too much focus on market and income generating.⁶⁶ Because tertiary educational institutions are market driven, they tend to prioritize providing profitable courses that actually cannot be classified as higher educational courses such as fashion technology, information technology, IT, hotel management.⁶⁷

A further negative impacts of privatization, and “McDonalzdation” are the quality of several courses such as social sciences, humanities, literature, pure mathematics, biology and physical science can decline significantly because of privatization.⁶⁸ Furthermore, because of a focus on income generating undergraduate programs, postgraduate and advanced research programmes are often neglected.⁶⁹ Moreover, humanities and social sciences are abandoned, doctoral programmes in social sciences in physical sciences weaken, most advanced-level education deteriorates significantly, the correlation among research, teaching and study becomes challenging.⁷⁰

Privatization and Indonesian Constitutions

It has been said that privatization of higher education fits in with the Indonesian Constitution. This position goes on to further maintain that privatization of higher education is suitable with the Indonesian legislation (UU) No. 7/1994⁷¹ about agreement establishing the World Trade Organization (WTO), means Indonesia should obey them.⁷² In fact, in the free trade agreement, education is part of commodity.⁷³

To follow up UU. No. 7 1994, Indonesian government legislated educational legislation UU Sisdiknas (No. 20, 2003)⁷⁴ and has proposed the constitutional draft on legal bodies of education (BHP) which recommend the privatization of educational institution.⁷⁵ Formal educational institutions are formed as BHP which can manage their own budget.⁷⁶ Indonesian government also legislate Presidential Decree (Keppres) No. 77 to regulate investment including in education.

By legislating UU No. 7/1994,⁷⁷ Presidential Decree (Perpres) No. 77/2007,⁷⁸ (UU Sisdiknas), No. 20/2003⁷⁹ article 53, and proposing BHP legal draft means Indonesia has committed to follow neo-liberalism. Classical economic theories such as from Adam Smith (1723), David Ricardo (1772-1823), Herber Spencer (1820-1903) are the basis of neo-liberalism.⁸⁰ Neo-liberal supports market driven of public services and criticizes governmental involvement.⁸¹ Thus they believe that government should not be involved in market mechanisms and higher education can be privatized.

However, it is arguable that ironically privatization of higher education is against the Pancasila, UUD 1945 the highest stage in the Indonesian Constitutional hierarchy. Mubyarto explain that the Pancasila does not follow free market, but has its own concept: the economic theory of the Pancasila is close to that of the welfare state.⁸² According to Keating government should have balance power with market and society. But actually governments should have complete power to control markets in order to realize the welfare state.⁸³

Privatization of higher education also contradicts the Indonesian Constitution (UUD 1945). According to UUD 1945, education is right so the government is responsible to educate its citizens, respect and guarantees their right of education (UUD 1945). This is suitable with Tomasevski point of view

that government has the obligation to fulfill citizens' right of education. This is clear that education should not be privatized.⁸⁴

Closing

In conclusion, the privatization of higher education is destructive policy based on several reasons that have been outlined in this paper: *First*, education should not be privatized because it is a public good which benefits society and is part of human rights; *Second*, privatization weakens the autonomy of higher educational institutions because they can be controlled by foreign investors and donor agencies; *Third*, privatization can weaken civil society because the position of social leaders, social and religious institutions who originally established private higher education can be replaced by foreign investors; *Fourth*, privatization of higher education inevitably leads to increased higher educational costs so poor people can no longer afford to study; *Fifth*, because of the focus on marketing, privatization reduces the quality of higher education especially in humanities, social science and research; and finally privatization contradicts the Pancasila and UUD 1945 the highest level of the Indonesian constitutional hierarchy which obligates the government to fulfill its citizen's rights to education.

Based on the considerations above, the Indonesian government needs to seriously consider the numerous negative impacts of privatization and should discontinue its plans to privatize higher education. All members of society with a social conscience, especially students in higher education should take part in social movement to oppose the privatization of higher education in Indonesia.

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