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Chinese Education Policy in the Context of Decentralization and Marketization: Evolution and Implications

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Education policy has been undergoing great transformation in China since the initiation of economic reforms and the open-door policy in the late 1970s. These market-oriented reforms and the pursuit of rapid economic growth in a globalized economy have significantly impacted China's education policy and development. In line with the development of the market-oriented economy and its increasing integration with the global market, a more pragmatic perception of education has gradually taken shape in the post-Mao era, resulting in the decentralization and marketization of education in China. This article aims to examine the development of Chinese education policy in the context of decentralization and marketization since the start of the economic reforms. It will firstly make a brief contrast between the education policies before and after the economic reforms. Then, the decentralization and marketization in the field of education since the initiation of the economic reforms will be examined. What follows is an assessment of the impacts that marketization and decentralization had on education policy. This paper argues that the weakening role of the state in education provision and the disparity between rural and urban areas are key issues facing China's education policy following the economic reforms and the open-door policy. It concludes by suggesting that equal and balanced development in education in China entails bringing the state back into the education sector.

Key words : education policy, decentralization, marketization, educational inequality, economic reform

Introduction

Education policy has been undergoing great transformation in China since the initiation of the economic reform and open-door policy in the late 1970s. The market-oriented reforms and pursuit of rapid economic growth in a globalized economy have had important impacts on China's education policy and development. In line with the development of the market-oriented economy and its increasing integration with the global market, a more pragmatic perception of education has gradually taken shape in the post-Mao era, resulting in the decentralization and marketization of education in China. This article aims to examine the development of Chinese education policy in the context of decentralization and marketization. It begins with a brief review of China's education policies before and after the economic reforms. Then, the decentralization and marketization of education since the economic reforms is examined. Much attention is placed on the impacts that marketization and decentralization have had on education policy. It argues that the weakening role of the state in educational provision and the disparity between rural and urban areas are key issues facing China's education policy following the economic

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reform and open-door policy. It concludes that the equal and balanced development in education in China entails the bringing the state back in the education sector.

Education Policy Prior to the Economic Reform

After the Communist party took power in China in 1949, education was under strict government control. The paramount principle of education policy in Mao's China was political in nature and effect. Political and ideological indoctrination figured prominently in the school curricula. For the purpose of making all people understand the party-state's policy statements and political discourses, the top priorities of education policy were developing elementary education and reducing illiteracy. Primary education for children of working class families, (that is, both urban workers and peasants) was emphasised. As a result, more and more farmers' children could achieve the basic level of education.

Education policy in Mao's China was affected greatly by the rural-urban dual society. Consistent with the urban-biased public policy in Mao's era, more educational resources were invested in cities. Schools in cities were further classified into two categories: "key" (*zhongdian*) schools and "non-key" schools. Policy priority was given to the former. The provision of rural educational services was dependent on the economic situation of the rural collectives, i.e., the people's communes. Such a policy bias caused far-reaching negative effects on the educational development in rural China and its legacy remains by and large in the post-Mao era.

Though the poor economic performance under the planned economy greatly limited the resources of education, the Communist government had not ignored the role of higher education in economic development. Higher education was promoted as part of the country's development strategy because the socialist economy needed a trained labour force committed to socialist undertaking and construction. The role of higher education was to prepare the younger generation to take up the tasks of national socialist construction. In order to cultivate the technicians and professionals compatible with the particular stage of economic development in the country, the development of higher education, especially the fields of science and technology, was given top priority. A state-funded elitist higher education system with a focus on scientific and technological disciplines was developed in Mao's China (Hayhoe, 1996). Children from both rural and urban families with outstanding academic performance could enjoy higher education free of charge. However, due to the intensive ideological and political struggles during the Cultural Revolution, the higher educational system was almost totally dismantled in China.

Viewing education as a means of political indoctrination and maintaining political loyalty, the Communist government exerted tight control over education. In doing so, a highly centralized educational system, which was characterized by unified planning, administration, syllabi, curricula, textbooks, enrolment, and allocation of school and university seats, was developed in Mao's China (Hao, 1998). Under this centralized system of education, the state assumed the responsibility for formulating educational policies, allocating educational resources, exerting administrative control, recruiting teaching staff, and deciding on curricula and textbooks. In a nutshell, the state monopolized the provision, financing, and governance of education. On the whole, educational policy in Mao's China was characterized remarkably by dualism, elitism, and utilitarianism. Education was treated as a public good rather than a private one. Those who sought educations as a channel for upward mobility were condemned as selfish and bourgeois (Ngok & Kwong, 2003). However, the distribution of educational resources was uneven, as priority was given to urban education and technology-oriented higher education. Such education policy, though beneficial to the growth of specialized professionals, such as engineers and technicians, led to the uneven development of education between rural and urban areas, and between elementary and higher education. The highly centralized educational system stifled the incentives of educators, educational institutions, and local governments to develop education, and therefore slowed down educational and economic development in China.

Education Policy since the Economic Reform: An Overview

When the market-oriented economic reform was launched in the late 1970s, Chinese policy-makers formed a vision for the country's economic development that was different from the Maoist one. Economic modernization became the paramount policy goal of the government, and the contribution of education to both economic development and social progress was fully understood by the policy-makers. The post-Mao Chinese leaders realized that education is the essential tool for economic modernization. Against this backdrop, "education serves the economy," a new principle of

education policy was established (Ngok, 2006). In the early 1980s, Deng Xiaoping, the late paramount leader and the general architect of Chinese economic reform, set out the fundamental direction of China's education policy. He proclaimed that education must change to meet the needs of China's modernization, of the world, and of the future. He emphasized that educational and economic developments were inseparable and that education had to change to meet the needs of China's modernizing economy and future development (Chen, 1999). As Zhu Kaixuan, Minister of Education in the 1990s, elaborated, "Education is no longer dissociated from the economy. . . Education is closely linked with the economy, and has become an organic component and key content of the plans for economic and social development" (Rosen, 1997, p. 259).

Under this new policy principle, the post-Mao government has been increasingly concerned with the role education plays in improving China's economic competitiveness and its place in the regional and global markets. The concern that education should serve the new economic vision prompted the depoliticization of Chinese education. Although the emphasis on education as a political and ideological instrument has now diminished, this does not mean that education has lost its political function, nor does it mean that the government has abandoned its commitment to socialism and embraced the free market ideology integral to the global economy. Depoliticization only means that politics no longer figure prominently in the school curricula. The political function of education has been downgraded in favour of an educational strategy that would accelerate China's march toward modernization (Rosen, 1997, p. 251). This pragmatic orientation opens the way for the government to reshape its role in education and readjust its education policy.

Firstly, a perception of education as a consumption item has been developed. In line with the growing tolerance of the individualism associated with a market-oriented economy, the idea of education for personal advancement and personal fulfilment is accepted. Education, especially higher education, is increasingly seen as a channel for social mobility and personal development. The government has begun to see education as consumption and a private good benefiting primarily the individual, even though the nation may stand to gain in the long run. This orientation opens a new official stand on education financing. Since education is a consumption item, the consumer has to pay; and thus the fee-charge principle is introduced in the Chinese educational system.

Secondly, the government has no intention to monopolize education. Limited state capacity to fund education, a pragmatic perception of education to serve the economy, and the perception of education as a consumption item have prompted the government to relinquish its once monopolistic control of education. The post-Mao leaders have acknowledged that over-centralization and stringent regulation in the Maoist period killed the initiatives and enthusiasm of local governments and educational institutions and resulted in the inadequate provision of education. The central government alone has been unable to assume the responsibility for satisfying people's increased demand for education. These different perceptions of the role of education have encouraged the central government to relax control and roll back its role in education, thus justifying retrenchment in government funding and shifting the load to other sectors.

Thirdly, a conception of stakeholders in the education policy sector comes into being. The central government has decentralized the control of education to the provincial and county levels. Local authorities are encouraged to play a greater role in the financing, provision, and regulation of education, and they have to find money for education since it is no longer provided by the central government. Parents have to pay tuition for their children. Furthermore, because the major role of education is for skill development and not political training, the government has been willing to decentralize control and even to allow private individuals to offer education. As a result, schools run by non-state agents, i.e., *minban* schools, have been booming in China since the 1990s. At the same time, the marketization of education has become a new policy trend in China, which has had a far-reaching impact on China's educational development.

Fourthly, with the role of the market in education development and the marketization of educational services, the priorities of educational policy in the post-reform era have effectively been reversed, placing the main concern on efficiency rather than equity. Until recently government efforts to be efficient and to increase system effectiveness have focussed primarily on schools and regions with the infrastructure for further development. This has translated into developing the educational system in the urban areas or richer regions at the expense of the rural areas or poorer regions.

Decentralization and Marketization in Education

China's market transition is characterized and driven by

decentralization. Since the late 1970s, the modernization drive, the economic reform, and the movement to open up to the outside world have transformed the highly centralized planning economy into a market-oriented and more dynamic economy. The new direction of the market economy has important implications for China's education. Given the huge gap between limited educational investment and the people's increasing demands for education, it is reasonable to say that Chinese educational restructuring is driven by resource scarcity and guided by the principles of the global market economy. Like other governments in developing countries, the Chinese government adopted the two strategies of decentralization and marketization in response to resource scarcity (Robertson, 1992).

Decentralization refers to the relinquishing of central government control and assigning responsibility for the provision and management of education to the local levels. This policy not only allows provincial and county governments to have a greater say in educational matters, but also opens the way for private organizations and even individuals to operate schools. The measures of decentralization and the involvement of private forces in educational provision lead to the marketization of education: the creation of an educational market where private individuals and organizations can compete with the public schools for clientele and can even run schools for profit. The adoption of this policy of marketization against a background of a market-oriented economy leads to deep and far-reaching changes in the organization of education. Through these policies of decentralization and marketization, the Chinese government opened the doors for fundamental changes in the orientation, financing, curriculum, and management of education (Agelasto & Adamson, 1998).

The strategies of decentralization and marketization are embodied in two key government documents. The first document, entitled *the Decision of the Central Committee of the Communist Party of China on the Reform of the Educational Structure* issued by the Party's Central Committee at the National Education Conference in May 1985 (hereafter referred to as "the 1985 Decision"), which marks the first critical step taken to restructure Chinese education. The Decision admitted that rigid government control of schools led to inefficient management in education. Under the principle of linking education to economic reform, the document called for the devolution of power to lower levels and the reduction of the rigid government controls over schools. While the central government, through its educational administration, would continue to monitor the process and provide basic guidelines to educational development, local authorities were given the authority and power to administer elementary education (CCPCC, 1985). As a result, local authorities were borne more financial costs of education, multiple methods of financing education were encouraged, and the establishment of schools run by the non-state sector was allowed.

The second document, the "Program for Education Reform and Development in China" (hereafter "the 1993 Program") promulgated in 1993, explicitly stated the government intention to marketize education and provided more specifics on how it should work. The government declared that "the national policy is to actively encourage and fully support social institutions and citizens to establish schools according to law and to provide correct guidelines and strengthen administration" (CCPCC, 1993). The central government re-affirmed its 1985 commitment to refrain from direct control of education to one of managing schools through legislation, funding, planning, and advising. The 1993 Program also claimed that in order to fulfil the need for setting up a socialist market economy and promoting political and scientific reforms, the pace of educational restructuring and development needed to be quickened so as to train more technical personnel for socialist modernization.

With the development of market economy in China since the mid-1990s and the financial constraints on educational development, so-called "poverty of education" loomed large. The great contradiction between the limited educational resources and the huge demand for educational services, especially the higher educational services, drove educational institutions to take a big step in the direction of marketization. In doing so, a policy orientation of "industrialization of education" (*jiaoyu chanyehua*) took shape. Literally, "industrialization of education" refers to making the education sector an industry for moneymaking, just like other business sectors. For many education policy makers and educators, "industrialization of education" is an effective way to overcome "poverty of education". This development marks the fundamental change in China's education policy, which reflects the over-marketization of education services in China's market transition.

Under this policy orientation, education is regarded as a commodity, rather than a public good. While local governments have been active in making use of the market mechanism to generate educational revenue to make up for the educational deficit, educational institutions are eager to make money through education services. In doing so, although more resources have been mobilized to develop

education, the values of equity and equality in education are thrown out. As a result, financial affordability becomes the key precondition for educational services, and families have to pay an ever-increasing amount of money for educational opportunities, especially for higher education services. As the tuition fee has been soaring since the late 1990s, to some extent access to higher education is denied to many students from poor families. Increasing expenditure on education as well as on health care and housing has put great financial pressure on ordinary Chinese people. The phrase "new three mountains" *(xin sanzuo dashan)* was coined to indicate the heavy financial burden carried by Chinese citizens in the basic service sectors of education, healthcare and housing.

As mentioned above, decentralization and marketization have become the main strategies of educational reform in China. The main impacts of these two strategies will be discussed in the following sections.

Localization of Education

The most salient feature of post-Mao China's education policy is the decentralization of educational finance to local governments. Financial decentralization took place first in the sector of primary education in the early 1980s. In Mao's era, rural education was based on the collective farming economy (people's communes), and the school expenditures were handed down from the county government. At the very beginning of the economic reform, many county governments experienced difficulties to finance the primary education and called for the devolving of financial responsibility to townships and villages. Such a request was justified politically by the 1985 Decision and economically by the increased income of peasants due to the decollectivization of rural economy and the individualization of farming. The 1985 Decision called for the institution of nine-year compulsory education and stipulated a multiple sponsorship of primary education in rural China. Under the new model of educational finance, primary schools are sponsored by villages (*cun*), junior high schools by towns and townships (*xiangzhen*), and senior high schools by counties (*xian*). Such a financial arrangement indicates that the central government has completely rolled back from sponsoring primary education, and financing primary education is the responsibility of grassroots governments and rural communities.

The impacts of the financial decentralization policy on China's education are double-edged (Cheng, 1995). On the one hand, such a policy has diversified the educational financing as enormous resources from non-governmental sources and from the non-educational sectors have been mobilized to support primary education; even non-state education has been encouraged. Meanwhile, local incentive to develop education has been enhanced as the sense of local ownership was cultivated. Therefore, primary education was localized in China. On the other hand, the financial decentralization policy has led to the remarkable disparity and inequality of educational development in China. Under such a policy, primary education is heavily dependent on the local economy. Based on the varying local economic situations, educational disparity is tremendous from locality to locality in terms of school buildings, school facilities, teacher qualification, teachers' remunerations, educational opportunities, and teaching quality. Such a disparity even exists remarkably in Guangdong, the most developed coastal province in China. Disparity is found not only in urban and rural parts of Guangdong, but also within its capital city Guangzhou (Mok, 2001).

Without doubt, the decentralization policy has greatly benefited the more developed regions. However, in the less developed regions, especially the impoverished areas, primary education has suffered from decentralization. In communities and townships where the government budget is deficient, primary education has to struggle hard to survive. In extreme cases, school teachers' salaries are not paid. As a matter of fact, local governments in deficit are not uncommon in China, especially since the mid-1990s when the taxation sharing system, under which the financial capacity of the central government was increased at the cost of lower governments, was introduced. As primary education is under heavy financial constraints, many local governments in the less developed provinces strongly requested a reversion of the decentralization policy. With the deterioration of township budgeting since the late 1990s and the strong requests from the lower governments, the central government decided that the financial responsibility for primary education went back to county governments in 2001. Such a policy change was legalized in the amended *Compulsory Education Law* in June 2006. The revised Law stipulates that governments at all levels shall include the expenditure on compulsory education in the governmental budget, and guarantee the availability of the budget expenditure.

The decentralization policy was extended to the higher education sector in the early 1990s with the promulgation of the 1993 Program. In order to make the higher education sector suitable for the emerging market-oriented economy, the 1993 Program decided to further the education reform, especially the higher education reform. The core of the

Table 1. *Affiliation of Regular Higher Education Institutions (1997-2004)*

	Total number of HEIs	HEIs affiliated directly to the central government			HEIs affiliated to provincial government		
		Affiliated to MOE	Affiliated to non-MOE	**Sub-Total**	Public	Private	**Sub- total**
1997	1,020	35	310	345	655	20	675
1999	1,071	46	202	248	786	37	823
2000	1,041	72	44	116	888	37	925
2003	1,552	73	38	111	1,268	173	1,441
2004	1,731	73	38	111	1,394	226	1,620

Note. From *Higher Education in China* (p. 56), by J. Zhou, 2006, Singapore: Thomson Learning. Copyright 2006 by Thomson Learning. Adapted with permission.

decentralization policy is to empower the role of provincial governments in financing and administrating higher education. Provincial governments were encouraged to cooperate with the central government via the Ministry of Education (MOE) to sponsor and administrate all MOE-led universities located in the provinces. With the increasing role of the local government in higher education, a new trend of localization of higher education emerged in China. As a result, more and more universities are sponsored by provincial governments, even city governments (Table 1).

The localization of higher education has contributed greatly to the regional disparity in the development of higher education. The rapid expansion of higher education in recent decades mainly benefited the people in the coastal provinces and large cities where economic prosperity has promoted the educational development. In short, the expansion of higher education, in particular the private higher education sector, depends very much on the extent of economic development among individual provinces. It is therefore not surprising that poorer regions or provinces encounter more difficulties, particularly in terms of financial resources, to invest and expand their higher education systems both in terms of the quantity and participation rate of higher educational institutions (HEIs).

The Development of Non-state Education

For a long time, all schools in China were under direct governmental control, such that they were run, funded, and managed by the government. Such a system led to very limited sources of educational resources and stifled the development of education. In order to attain sufficient resources to meet the people's increasing demand for education, the Chinese government began to encourage non-state sectors, such as mass organizations, business enterprises, private institutions, individuals, and even foreign institutions, to support academic programs in existing educational institutions or to sponsor educational institutions in the early 1980s (Zhou & Cheng, 1997; Ren, 1996). Since then, different types of schools and colleges run by the non-state sector have emerged, and their number has grown steadily. Officially, these schools are registered as *minban* (people-run) schools, or *minban* education. A wide variety of schools fall into this category of education, including kindergartens, primary schools, junior secondary schools, vocational schools, senior secondary schools, and higher learning institutions.

Minban, literally meaning "running by people," is a concept hard to define explicitly in China. Any educational activities which are not sponsored by public money can be defined as *minban* education. In this sense, *minban* means that which is run by any social forces. Any social actor, collectives, mass organizations, business enterprises, private entrepreneurs, even public-funded universities can engage in *minban* education. As the *1982 Constitution* stipulates, "the state encourages collective economic organizations, governmental enterprises and other social groups to initiate and administer various kinds of legal educational activities." This so-called "non-state-sponsored" education can realize multiple channels of financing, encourage diversification in the provision of educational services, and the like. Moreover, it can also encourage competition, and thus increase effectiveness and efficiency in the provision of educational services.

Among *minban* education, *minban* higher education is most remarkable. The first *minban* university was set up in Beijing in the early 1980s with the initiation of a group of experienced professors, school principals and educationalists. In the 1990s, with the development of a non-state economy in China, many entrepreneurs became involved in sponsoring *minban* universities. Although the number of *minban* higher education institutions has been increasing, most of them have not been granted self-accreditation status and cannot confer degrees to students due to the limited academic capacity and low social reputation. Such a limitation hampers the development of conventional *minban* universities. Under these circumstances, a new kind of *minban* university, the so-called "independent college" was launched in the late 1990s when the Chinese government decided to enlarge its higher education scale. The self-funded independent colleges are also called "second-tier colleges," affiliated with the public-funded regular universities because they are established by public-funded universities in collaboration with enterprises or other social forces. The setting up of second-tier colleges is considered as an efficient operation by government officials to create and expand higher education opportunities in mainland China (Lin et al., 2005). The independent colleges can make use of the advantages of both the state and the market. On the one hand, they can exploit the reputation made by their mother universities; on the other hand, they can get money from the market and charge higher tuition fees. Both the state and the universities can benefit from the independent colleges. Most important, unlike the conventional *minban* universities, the independent colleges have the authorities to confer academic degrees upon their establishment. As a result, this kind of college has developed rapidly across the country. In 2005, 295 independent colleges are running on the mainland China, which enrol more than 1 million students. However, the conventional *minban* institutions have to struggle for survival since they have to compete with the newly emerging independent colleges not on the equal basis. To a large extent, the development of the independent colleges, a "governed education market," handicaps the growth of market-based conventional higher education in China.

On top of developing *minban* schools, the Chinese government also encouraged the privatization of public schools. Take Shanghai as an example. From 1993 onwards, Shanghai piloted a scheme to transform the management system of the public primary and secondary schools (*zhuanzhi xuexiao*). Under this scheme, with the ownership of the public schools still in the hands of the government, their administration would be contracted out by the education department to enterprises, business organizations, social organizations, or individual citizens. The contracted-out public schools may be run with reference to the policies applicable to the *minban* schools in respect of student recruitment, collection of tuition fees, selection and appointment of principals and teachers, and schools' internal management. As a result, these schools can now have a relatively higher degree of autonomy in running their own affairs than they used to have. In general, this kind of school can be classed as "public schools run by non-state bodies" (*guoyou minban*) (Ngok & Chan, 2000).

Though non-state schools have developed quickly in recent years, they remain peripheral in the educational system; public schools and universities remain the principal providers of education in China (Hayhoe, 1996). In 2005, there were

Table 2. *Minban Education in China in 2005*

Type of School	No. of School	Students Enrolled
Kindergarten	68,800	6,680,900
Primary School	6,242	3,889,400
Junior Regular Secondary School	4,608	3,724,200
Junior Vocational Secondary School	25	14,900
Senior Secondary School	3,175	2,267,800
Senior Vocational Secondary School	2,017	1,541,400
Higher learning institutions	1,624	3,217,800
Total	86,200	21,681,000

Note. From *National Education Development Statistical Bulletin 2005,* by The Ministry of Education (MOE), 2006, retrieved October 4, 2006, from http://www.moe.gov.cn/edoas/website18/info20464.htm

86,200 *minban* educational institutions of all kinds, involving about 21.7 million students (Table 2). Among them, there were 1,624 *minban* higher learning institutions of all kinds in China, which involved 3.22 million students. Most of the *minban* higher learning institutions provide instructions for those who are preparing for the state examinations. Among them, 252 were regular *minban* higher education institutions which could offer diploma or degree programs recognized by the government (MOE, 2006).

Diversification of Educational Investment and Provision

In China, investment in education is gravely insufficient. While the developed countries currently spend an average of 5% of their GDP on education, China spends less than 3% of the GDP (see Table 3). In 2005, while the total GDP in China hit 18.3 trillion *yuan*, the fiscal educational expenditure was about 516 billion, accounting for 2.82% of the total GDP, a very slight rise compared with the 2.79% in 2004 (Ministry of Education, State Bureau of Statistics, and Ministry of Finance, 2006). As a result, the state has never satisfied the pressing demand for education among the population. In order to improve the financial situation, the state searched for "multiple channels" of educational financing instead of solely relying upon the state's support. As a result, a new system of educational investment has taken shape in China. An

Table 3. *Educational Expenditure in China (1991-2001)*

Year	Total Educational Expenditure[a]	National Financial Educational Expenditure[b]		Financial Educational Expenditure as the Percentage of the GDP (%)	Budgetary Educational Expenditure as the Percentage of the Total Financial Expenditure (%)
			Budgetary Educational Expenditure[c]		
1991	731.50	617.83	482.18	2.85	13.52
1992	867.06	728.75	564.94	2.73	14.15
1993	1059.94	867.76	676.61	2.52	13.67
1994	1488.78	1174.74	931.13	2.52	16.07
1995	1877.95	1411.52	1092.94	2.46	16.05
1996	2262.34	1671.70	1211.91	2.50	16.28
1997	2531.73	1862.54	1357.73	2.55	15.67
1998	2949.06	2032.45	1565.59	2.64	15.36
1999	3349.04	2287.18	1815.76	2.84	14.49
2000	3849.08	2562.61	2085.68	--	13.80
2001	4637.66	3057.01	2705.66	--	14.31

Note. Unit: 100 million yuan.

[a] The total national educational expenditure includes national financial educational expenditure, money from social organizations and individual citizens for school-running, donations and money raised from society, tuition and miscellaneous fees, and others (see Table 4).

[b] National financial educational expenditure consists of budgetary educational expenditure, taxes and fees levied by local governments for education (including urban and rural educational surcharges, local educational surcharges), money from enterprises for school-running, revenues from school-run enterprises, part-work and part-study programs and social services, and others.

[c] Budgetary educational expenditure refers to money appropriated to all kinds of schools and educational institutions by the finance departments or the related departments of governments at all levels within a financial year, which is categorized as educational expenditure in the government budget.

From *Jiaoyu Caizhengxue yanjiu* [A Research on Educational Finance] (p. 317), by Z. B. Li, H. L. Zhao and H. Wang, 2003, Guangzhou: Guangdong People Press. Copyright 2003 by Guangdong People Press. Adapted with permission.

Table 4. *Composition of Educational Expenditure in China (2000)*

Items	Amount (100 million *yuan*)	Percentage of Total Educational Expenditure (%)
Budgetary educational expenditure	2085.68	54.18
Tax and fees levied by local governments for education (including urban and rural educational surcharges, local educational surcharges)	283.99	7.37
Funds from enterprises for school-running	135.81	3.52
Revenues from school-run enterprises, part-work and part-study programs and social services	57.11	1.47
Money from social organizations and individual citizens for school-running	85.85	2.96
Donations and money raised from society	113.99	2.29
Tuition, miscellaneous fees and relevant income	938.27	24.37
Others	148.38	3.84
Total	3849.08	100

Note. From *Basic education in China,* by website of the Ministry of Education, 2006, retrieved October 4, 2006, from http://www.moe.gov.cn/edoas/website18/info6998.htm

increasing portion of the financial resources to run schools and universities come from local taxes, tuition fees, overseas donations, local fund raising, and income from enterprises (See Table 4).

Throughout the eighties and nineties, the majority of students in higher education were financed by the state, but new types of fee-paying students emerged. These were the commissioned students and the self-supporting students. The former were students enrolled as a result of contracts universities had signed with enterprises and other employing units, or even individual employers; the latter were those who had to pay out of their own pockets (Yin & White, 1994). Since 1997, all students enrolling in higher education had to pay tuition fees while students from poor families could apply for scholarships or subsidies from their universities or institutions (Agelasto & Adamson, 1998). Tuition figures more prominently in the income of higher educational institutions which are suffering from the poor inputs from the government. Tuition fees are a growing source of income, sometimes representing 50% of a student's direct education expenditure. For private universities, fees may account for more than 90% of revenues. With the increase of tuition fees, many students from poor families find themselves not able to afford higher education services (Yang, 2002). High tuition fees have been a major concern for many parents.

Educational institutions at all levels engage in different revenue-generating activities to find additional funds to sustain their institutes and to improve the living and working conditions of faculty members. Schools offering commissioned courses, running adult classes and evening courses to attract more students, or charging consultant fees are becoming more and more popular (Mok, 1999; Wei, 1996). To attract more grants and funds, Chinese universities establish and maintain close links with the business and industrial sectors (Zhou & Cheng, 1997). They promote technology transfer and commercialise the results of their academic research; some even set up their own businesses and enterprises (Kwong, 1996). To raise income, universities are increasingly spinning off research activities to the private sector.

Educational Reform and Chinese Society

The above discussion shows that the Chinese Government has made use of decentralization and marketization to reform its educational system. The following sections will examine the impact of these strategies, especially their effectiveness in terms of social development in China.

The Universalization of Nine-year Compulsory Education

China's educational structure consists of elementary education, vocational education, regular higher education, and adult education. Within the above-mentioned policy context, China's education has experienced great changes since the late 1970s, especially since 1985 when the first central policy document on educational reform was announced. The 1985 Decision marked officially the reform in education in China (Cheng, 1995). By adopting the policy of decentralization and making use of market forces in educational arena, more and more social forces have been encouraged to provide educational services, and meanwhile, the initiatives and enthusiasm of local governments and educational institutions have been enhanced. As a result, opportunities of education have been enlarged, and the size of education has been expanded rapidly. As for elementary education, by the end of 2005, more than 99 per cent of school-age children were enrolled in primary schools, while about 95 per cent of graduates of primary schools have the chance to study in junior high schools. Regarding higher education, the number of students in all kinds of higher education institutions has exceeded 23 million, and the gross enrolment ratio of higher education reaches 21% in 2005 (MOE, 2006).

The 1985 Decision called for the institution of 9-year compulsory education all over the country. This goal has basically achieved in the early years of the new century. The achievement of universal attendance of six years' primary schooling is without doubt (see Table 5). By the year 2005, the net enrolment ratio of school-age children reached 99.15%. Among them, the enrolment ratio of boys is 99.16% and girls 99.14%. The gender gap at this level is minimized (MOE, 2006). Although the fulfilment of universal attendance beyond six years' primary schooling had encountered real difficulties (Cheng, 1995), currently, more than 98% of primary school graduates can go to junior secondary school. In 2005, the national gross enrolment ratio at the junior secondary level is 95%. However, the dropout rate at this level hits 2.62% in the same year. Based on this figure, it is reasonable to estimate a total dropout rate of around 8% over the three years of junior secondary schooling. About half of the junior high school students have chances to study in senior high school (MOE, 2006).

Massification of higher education

For a long time, the huge gap between demand and supply of higher education service was a salient feature of Chinese higher educational development. With the implementation of decentralization and marketization of education policy, the scale of Chinese higher education has been expanded steadily since the late 1970s, especially the late 1990s. In order to spur on the weak domestic economy, ease up unemployment pressure, and meet the increasing demand for higher education scale, the Chinese government decided to expand rapidly the higher education sector in 1999. Since then, China's higher education has entered an era of

Table 5. *Enrolment Ratio of School-age Children in Primary Schools* Unit: 10 Thousand

Year	Total Number of School-age Children	No. of School-age Children Enrolled	Net Enrolment Ratio (%)
1965	11603.2	9829.1	84.7
1980	12219.6	11478.2	93.0
1985	10362.3	9942.8	95.9
1990	9740.7	9529.7	97.8
1999	12991.4	12872.8	99.1
2000	12445.3	12333.9	99.1
2001	11766.4	11561.2	99.1
2002	11310.4	11150.0	98.6
2003	10908.3	10761.6	98.7

Note. Enrolment Ratio of school-age children before 1991 was calculated on the basis of primary school pupils aged 7-11 enrolled. From *1991 onwards its calculation has taken account of the age of entry and the length of schooling prevailing,* by webpage of Ministry of Education, the People's Republic of China, 2006, retrieved October 4, 2006, from http://www.moe.gov.cn/ edoas/website18/ info12895.htm

Table 6. *Numbers of Regular Higher Education Institutions and Student Enrolment*

Year	No. of Institutions	New Students	Graduates	Students Enrolled
1990	1,075	609,000	614,000	1,206,300
1995	1,054	926,000	805,000	2,906,000
1998	1,022	1,084,000	930,000	3,409,000
1999	1,071	1,597,000	848,000	4,134,000
2000	1,041	2,206,072	949,767	5,560,900
2001	1,225	2,682,800	1,036,300	7,190,700
2002	1,396	3,205,000	1,337,300	9,033,600
2003	1,552	3,821,700	1,877,500	11,085,600
2004	1,731	4,473,400	2,391,200	13,335,000
2005	1,792	5,044,600	3,068,000	15,617,800

Note. From *National Education Development Statistical Bulletin*, by the Education Ministry, 2006, China: the Education Ministry. Copyright 2006 by the Education Ministry. Adapted with permission.

rapid expansion.

In 1997, the gross enrolment ratio of higher education in China was 9.1%, but it increased to 9.8%, 10.5% and 11% respectively in 1998, 1999 and 2000 (National Centre for Education Development Research, 2001). In 1999, the intake of regular higher education institutions was 1.53 million, representing a 42% increase from 1.08 million in 1998. In the following years, quantitative growth continued. In 2000, the intake of higher education institutions reached 2.2 million, almost double of the intake in 1998. In 2001, a total of 2,682,800 first year students enrolled in 1,225 regular tertiary institutions. The expansion continued, and the number of new students reached 4.47 million in 2004 (see Table 6). The goal to reach a gross enrolment ratio of 15 % had already been fulfilled in 2002, eight years earlier than the original schedule set in the *Action Plan to Vitalize Education in the 21st Century* (MOE, 1998). In order to boost economic development, the Chinese central government lifted the longstanding restrictions on marital status (required to be single) and age (below 25 years of age) of student examinees.

Educational inequality

While educational opportunities have been expanded rapidly, and the gap between demand and supply of education was shortened, especially in the higher education sphere during China's market transition, not all Chinese people have benefited from the rapid expansion equally. The inequality of educational opportunity has deteriorated rather than improved.

First of all, there is an increasing rural-urban disparity in terms of educational opportunity. Rural-urban disparity is a perennial problem in China's social development. Educational disparity between rural and urban regions has widened since the late 1970s. The enrolment ratio of rural primary and junior secondary school students are relatively lower in relation to their urban counterparts. Many rural students drop out of school. More important, rural education has long suffered from insufficient investment. Due to insufficient educational investment, many rural students are studying in dangerous classrooms, and many rural teachers are suffering from pay arrears. It is estimated over 60% of the rural population had an education lower than six years primary education (Zhang, 1998), most of them concentrated in the impoverished west areas. According to a special report by Beijing Review (2006, December 10), an official English weekly, China's rural population accounts for 65% of the total, and 150 million out of the total 200 million middle school and primary school students are in rural areas. What's worse, less than 40% of the education funds have been flowing to the countryside. Official statistics also show that the average education received by rural people above 15 years of age is seven years, three years less than that of urban residents. Among the rural labour force between the ages of 15 and 65, only 1% has had education above the junior college level, 13

percentage points lower than urban residents. Three fourths of the illiterate or semi-literate population lives in the countryside in China's west and in regions populated by minority groups.

Second, the regional disparity of education is widening as the localization of education moves forward. There is great variation across provinces according to educational development. Generally speaking, major cities and coastal regions have benefited much from the rapid growth of education. In terms of educational resources, the average per capita education expenditure for a junior high school student in 1995 was 1535.83 *yuan* in Shanghai, and 311.86 *yuan* in Sichuan (China Education and Research Network, 2002, May 10). The rapid expansion of higher education in recent decades has benefited mainly the people in the coastal provinces and large cities. In Beijing, the higher education enrolment rate of senior high school graduates reached 70% in 2001. In Shanghai, 38.8% of the 18-22 ages cohort entered higher educational institutions. In Jiangsu, the gross enrolment ratio of higher education had reached 15% in 2001 (Yang, 2003).

Even within the same region, educational inequality exists in terms of resource distribution. Under the examination-oriented education system, most of the educational resources are allocated to so-called 'key schools'. In every city, there are a few schools labelled as key schools which enjoy privileges in resources allocation. As the places in these key schools are limited, these schools all set up a high entry threshold to control the enrolment. Generally, enrolment in these key schools is based on the academic performance of the candidates. However, the family background of the students is also important. For those families with higher social status, they can make use of all their personal connections to send their children to these key schools. For these rich families, they can exchange school places with money. If a student fails to reach the cut-off score on the examinations, he or she has to pay a large sum of money called a 'school-selection fee' in order to enrol. For example, in Chongqing, a metropolis in southwest China, the fee for the city's No. 8 Middle School stands at 35,000 *yuan*, equivalent to the annual income for a working class family. Cited by Beijing Review in December 2006, a survey of the equality of a senior high school education in 10 cities showed that the 10% of children from families of Party cadres or government officials and middle- or high-level managers account for 42% of the student enrolment in key schools. In Beijing, the proportion stands at 57% (Beijing Review, 2006, December 10).

Third, gender inequality in education is also serious in China. Although the general situation of female education in China has been improved, gender inequality is still severe, especially in the rural inland areas. The educational opportunities for girls has been ignored due to poverty. In 1997, there were 145 million adult illiterates in China, among them, 70% were female(China Education and Research Network, 2002, May 10). Basically, the higher the education level is, the worse the gender inequality. At the level of primary education, the gender inequality is minimised. However, at the higher education level, especially at the post-graduate level, the percentage of female students is very low.

Increasing Educational Expenditure: A New Source of Poverty

Due to the scarcity of resources, the limited resource from the central government is mainly invested in a few key universities, especially those under the jurisdiction of the Ministry of Education. Due to the poor financial performance, many local governments have not increased their investment in higher education sector, though the scale of their higher education has extended continuously. As a result, the local universities have to shift the financial burden to parents through the strategy of large-scale of recruitment and high tuition fees. As the investment from local governments is in decline, the burden shared by parents has increased. Students from poor families find themselves in difficulties to afford the soaring educational costs, especially the higher education services. The access to higher education of some students from poor rural areas and urban poor families is denied to some extent due to the increasing financial difficulties. For the poor families who have tried their best to support their children university education, the huge educational expenditure has led to the impoverishment of their families. The situation has been deteriorated further when their children could not find jobs after they left universities.

Parallel to the rapid expansion of higher education opportunities, university tuition fees have soared. In 2005, the national average level of tuition fee was about 5,000 *yuan* to 6,000 *yuan* per year depending on the program students pursue. In the same year, the per capita disposable income of urban residents was about 10,500 *yuan*, while the net income of rural residents is about 3,200 *yuan*. On average, the per capita annual income of Chinese residents is about 6,200 *yuan*. That is to say, the university tuition fee is nearly equivalent to the per capita income of most Chinese people. Obviously, the tuition fee is especially high. With the

enlargement of the size of higher education, more and more university students are from rural areas, especially from poor families. With the increase of the total student numbers, students from poor families have increased too. It was reported that in the academic year 2005-06, there were 23 million registered students in universities nationwide; among them, about 20 per cent were from poor families (Southern Weekly, 2006, May 25).

Qinghai is a good example in point. Being an impoverished northwest province in China, Qinghai's higher education scale has been enlarged since the late 1990s and a large number of young people have gained the chance to pursue higher education. Before 1999 when the expansion began, the university enrolment rate was less than 50 per cent among the senior high school students. By 2003, the figure had already reached 88 per cent, which was the highest in China in that year. Contrary to the conventional wisdom, higher education has not brought about upward mobility of the students, but led to poorer conditions for their families. Higher education has become a new source of impoverishment in Qinghai.

In the higher education institutions run by the provincial authorities of Qinghai, about half of the students are from poor families with an annual income lower than 1,000 *yuan*. Believing in the doctrine that education will change the fate of the family, many rural families in the poor western regions sent their children to the colleges and universities, though they could not afford the high tuition fees. Ever increasing tuition fees have become a huge investment for poor parents. In Qinghai, the annual net income of the rural family is about 1,000 *yuan* while the annual tuition fee is about 5,000 to 6,000 *yuan*. The average expenditure of a student is about 7,000 *yuan* per year, which is equal to the total annual net income of 9 farmers in this impoverished province. The total expense of four-year university life of one student is at least 28, 000 *yuan*, which is equivalent to the 35 years' net income of an able-bodied farmer (Southern Weekly, 2006, May 25).

In sharp contrast to the rapidly growing enrolment rate in Qinghai is the extremely low employment rate of the graduates. By September 2003, the employment rate of the students of the provincial colleges and universities in Qinghai was only 45.9 per cent. During the five years from 2000 to 2005, there were 8,863 university students from east Qinghai returning to their hometown after finishing their tertiary education. By the end of June 2005, there were 5,900 students still waiting for their first jobs. In some regions, the unemployment rate of university students hit 80 to 90 per cent. The situation is extremely frustrating. What's more, most of the unemployed students are from poor rural families. Though they have realized their dream of university education, what awaits them when they awake from the dream is unemployment.

Although financial aid has been offered to the poor students by the governments at all levels and the related higher education institutions, the coverage is limited due to the limited nature of the available resources. Although banks and financial institutions are encouraged to provide loans to students, they hesitate to do so because there is no guarantee that they can recall the loans.

Educational Services for Migrant Children

One critical challenge of education policy in China's market transition is the issue of the educational rights of the children of peasant workers, or rural-urban migrant workers. Peasant workers as a new stratum of the Chinese working class originate from the lifting of mobility controls which rigidly separated rural and urban society during the three decades of the planned economy. As temporary residents and casual employees in the non-state and informal economy, rural migrants are excluded from the state distribution and welfare regimes such as regular jobs, social security, assisted housing, subsidized education for their children, health care, and social assistance. Without recourse to social protection, migrant workers fall back on self-reliance and market supplies through self purchase. Their lack of legal protection and political rights compound their marginality (Solinger 1995, 1999). While migrant workers themselves have been marginalized, the access of children to public services, including the constitutional right to basic education is denied too. Official statistics show that the total number of migrant workers reached 114 million in 2003. Among them, 24.3 million are with their families. The number of migrant children within the school age (6-14) is about 6.43 million (People's Daily, 2004, September 6).

Due to localization of education and the rural-urban duality based on the notorious household registration system, public schools in the host cities are not open to the migrant children. If migrant parents want to find a place for their children in the public schools of the host cities, they have to pay higher tuition fees or extra money. As most of the migrant workers are low wage earners, they are not affordable for the high tuition fees levied by the public schools and respected private schools. As a result, some migrant workers are reluctant to send their children to schools. In view of the

huge demand for basic education from the migrant children, private schools tailor-made for them have been established in areas where migrant workers cluster. These schools are referred to as "schools for migrant workers' children". These schools normally are not well equipped and suffer from the lack of qualified teachers and sufficient financial resources. However, the low tuitions fees are very attractive to the migrant workers.

Unfortunately, while the host cities refused to provide public education for the migrant children, they even refused to recognize the schools which accommodate these children. In many cities, local authorities launched from time to time special operations to close these schools because they fail to meet strictly the official standards of schools stipulated by educational laws. This is a very controversial policy. If these schools are not well qualified for educational service delivery, the host government should give them the necessary assistance and ensure that they are qualified rather than destroy them. Obviously, the schooling of migrant children has not attracted enough attention from the host governments. Under such circumstances, many migrant workers lose their opportunities to receive schooling. It is estimated that about 10% of migrant children are not engaged in schooling. How to accommodate migrant children with appropriate schooling has become a critical education problem in China's urbanization and industrialization. With the Hu-Wen Administration coming to office in 2003, the central government urged host cities to provide migrant children with public education. Since this time, the issue of migrant children schooling has entered the policy agenda of the governments of the host cities. Money earmarked to alleviate this problem has been invested to create school places for migrant children. In many cities, the local public schools have eventually opened to children of migrant workers, though very reluctantly.

Conclusion

Since China opened its doors to the outside world in the late 1970s, China's education has experienced great changes due to the impact of market-oriented economic reforms and other developments. Integrating with the international economy has not only meant that greater importance is given to the role of education in the national economy, but also stimulated the educational demands of the people. The pragmatic considerations of financial stringency and the desire for economic advancement led the Chinese government to decentralize its educational policy and marketize the educational services. As a result, the state has relinquished its monopolistic role in education and allowed room for non-state social forces to become involved.

The use of the strategies of decentralization and marketization in the Chinese context is highly instrumental. The Chinese government intended to use these strategies to improve its financial situation and enhance the efficiency and effectiveness in the use of its resources in the face of financial stringency. The adoption of these policies reflected an attempt to make use of market forces and new initiatives from the non-state sectors to mobilize more educational resources and create more learning opportunities for its citizens. Nevertheless, the educational changes resulting from decentralization and marketization are far-reaching. These changes have changed the relationship between the central and local governments, the state and schools, and also the role of the state in education.

The increasing responsibility of local governments for educational investment has reduced the role of central government and increased the power of the provincial and county governments in educational planning and administration. Introduction of fees and the adoption of multiple-channels of funding have diminished the central and local governments' responsibilities for educational financing and increased school autonomy. However, decentralization and marketization of education have also led to the further inequality in education opportunity and quality. While decentralization has stimulated the involvement of local governments and other non-state sectors in education development, regional inequality in education has deteriorated.

Since 2003 onwards, the Chinese new generation of leadership has realized the negative impact of the inappropriate role played by the government, especially the central government in educational provision, especially in the rural education sector. With the formation of a people-centered governing philosophy and under the new policy slogan of "building a harmonious society", the Chinese government has given much more attention to educational equality. New policies and measures have been adopted to promote educational equality between rural and urban areas and between regions. More financial resources have been invested in rural education. In 2004, the central government asserted to offer free nine-year compulsory education for children in poor regions. In 2005, the government scheduled to offer nine-year compulsory education free to children in rural areas starting from 2006. Meanwhile, new measures have been launched to restrict the arbitrary charges by local

governments and educational institutions. In order to provide educational opportunities to children of migrants from villages, city governments have been required to open urban public schools to these migrant children. In addition, provincial governments and universities have been urged to provide poor university students with loans and grants. To some extent, a new trend of bringing the state back into educational provision has emerged in China. In 2007, the Chinese government gave more priority to spending on education. At the annual conference of the National People's Congress, China's legislature in March, the central government promised a 41.7% rise in education spending to 85.85 billion *yuan*. This represents a major boost to efforts to lift education spending to 4% of GDP, a goal which was set in 1993 and expected to be reached in 2000. Meanwhile, the total spending on rural primary and secondary schools was boosted by 21% to 223.3 billion *yuan*. The central government also promised to eliminate tuition and other fees for all rural students, easing financial burdens on 150 million rural households. (South China Morning Post, 2007, March 6). It is predicted that with the increasing financial investment from the central government and the strengthening role of the state in educational provision, the situation of rural educational provision will be improved and the rural-urban divide may be alleviated over the next decade.

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