

On China's Education Marketization Policy

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Abstract: The education market emerged in China since 1990s, which triggered heated debate among education circle. This paper explores the development forms which education market took on, analyses its pros and cons and investigates the measures should be adopted to revamp the holes of the unripe education market.

Key words: education; market; education marketization

The concept of "education marketization" triggered a heated debate once it was put forward. Till now, consensus has not been reached. The skeptics maintain the operating mechanism of market does not conform to the fundamentals of education. No matter how it is perceived, the practice of developing education as an industry has been launched, which took three kinds of forms:

First, businesses and social organizations are upbeat about the education market, investing heavily in this sector. As a result, private schools have enjoyed rapid development, currently numbering 1,095.¹ Most schools are run like a company under joint stock system, with president responsibility system under the board of directors. Some of them have met with great success. For example, after 3-4 years' development, Hainan Guokeyuan Experiment School, a private school in Hainan Province, increased its assets from over 30 million Yuan to 120 million Yuan.² What's worth mentioning is Euro-Asia Agriculture Holdings, which acquired in 1999 part of fixed assets of Yinghao School and became the first listed company to invest in the education sector.

Second, institutions of higher learning have taken the route of "cooperation", leading to the establishment of a number of bases of industry, education and research. The most remarkable one is the Shenzhen-Hong Kong Industrial, Educational and Research Institution set up jointly by Beijing University, Hong Kong University of Science and Technology and Shenzhen Government.

Finally, the reform of socialized logistics aiming at turning logistics in universities into corporate administration following laws of market is under way. In Shanghai, the Universities and Colleges Logistics Development Co., Ltd. and Logistics Industry Center have been founded.

Such successful practice provides strong support for the education marketization theory. However, as expected by the skeptics, there are some unwanted results. Some private schools excessively pursue profits, which lead to prohibitive charges; some have bad conditions, with inadequate hardware facilities such as buildings, libraries and teaching aids, and inadequate and unstable faculty. Private schools mostly offer majors that require low cost and deliver fast returns, causing duplicate setup of some majors and waste of resources. All these remind us to have a full understanding of education market, and approach the issue in a prudent manner.

In fact, education marketization, to a larger extent, came as a response to the actual dilemma in China's education reform.

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^{1, 2} Zheyuan Chen, Qing Feng. (1999). *The Education Industry: Itemized Accounts Make for a Big Market*. Information Daily, 1999-8-18

Fund shortage has always been a bottleneck. In the 1990s, the educational expenditure per capita was US\$1,300 for the United States, while for China merely US\$8 (converted from RMB), amounting to only 1/10 of the Asian average.³ Insufficient education inputs led to severe difficulties: compulsory education has not covered many depressed areas. According to 1998 statistics, there were 20 million square meters of dangerous buildings in primary and secondary schools across China. And a total of 1.33 billion Yuan of teachers' salaries were in arrears for the 16 provinces filed reports alone^{4,5}. Against this background, educational reformists propose to raise money from various avenues by introducing industrial mode. Only in this way may the government's burden be relieved.

Lacking self-discipline and self-development, Chinese universities commonly characterized by overstuffed administrations do not figure out how to accomplish public tasks with less cost. Therefore, letting the market play a dominating role in the allocation of educational resources seems necessary. It will activate the internal vitality and make the universities to take on the attitude of competition, independence and cooperation.

Over recent years, the demand for higher education has been growing rapidly, while the supply is far away from satisfying it. The imbalance has made the already fierce entrance examination to university much more fiercer. As a result, primary and secondary education is heavily distorted by strong examination-oriented education. How to change the examination-oriented education to quality-oriented one? Some experts believe introducing market mechanism can rectify malpractice because it can boost production efficiency so as to expand scale of education and relieve the pressure posed by the huge demand.

There is another realistic reason why China adopted market-based education policy. According to education marketization theory, vigorously promoting education industry plays an active role in stimulating consumption and investment, driving economic growth and relieving employment pressure. With a shift from the long-standing shortage of supply to oversupply, demand constraint has become a major obstacle to economic development in China recent years. Despite repeated cuts in prices and interest rates, consumption market remains weak. At this time, education, especially higher education, has drawn attention as one of the few "seller's market". It is predicted by an economist from the Asian Development Bank that if enrollment ratio of universities is raised by 100% in China, with annual tuition at 10,000 Yuan per student plus students' additional expenses, this may produce a "pulling effect" worth 100 billion Yuan.⁶ As an industry, education may also accommodate huge numbers of faculty, postpone young people in entering the labor market, and thereby contribute to social stability by increasing job opportunities and allaying employment pressure.

Yet given the negative effects, it should be kept in mind that pursuing market-based education blindly would cause irremediable losses. The following aspects should be given close attention.

1. Defining the Scope of Education Market

As education market is still not ripe, it is inappropriate for deploying education market policy in all fields of education. At present, most scholars advocate marketization of higher education, because higher education delivers high rate of return for individuals, while the supply of higher education is far below the demand, so both individuals and enterprises have strong desire to invest in this field. In addition, by translating scientific and technological invents, universities strengthen cooperation with enterprises, market and society, which lay the foundation for the market-based policy of higher education.

³ Bin Li. (1997). *Where World Education Reform Is Heading for*. Beijing: Chinese Academy of Social Sciences Press. 228

⁴ (1996). *Annual Report on China's Educational Funds*. Beijing: Higher Education Press

⁵ Libo Gong. (2000). *Major Obstacles in Education marketization in China and Analysis*. *Modern Education Studies*, (2). 95

⁶ Xinya Wang, Hui Zhang. (1999). *Pros and Cons of Enlarging Recruitments*. *Coastal Economy*, (11). 32

2. Enhancing the Government Responsibility

Developing education market breaks the situation where the government undertakes everything in education, but this does not mean the government may withdraw completely. As an undertaking of great significance to social development, education should be financed by the government. So it needs to step up efforts to establish and improve auditing system and public supervision system for educational funds to prevent local governments from transferring the responsibility of education investment to the residents.

3. Averting "Short-Term Action" on the Market

"Short-term action" refers to speculative behavior to seek profits in shortest time as possible by lowering educational quality and reducing operation cost. Such short-term action has indeed appeared in the market of education. Thus, it is imperative to take countermeasures, like strengthening supervision of school operation and evaluation of teaching quality, and formulating relevant laws and regulations to prevent unfair competition engaged in the name of marketization.

4. Improving Supporting Mechanisms

After institutions of higher learning start to collect tuition, there is a need to establish scholarship, assistantship and loan systems to ensure that excellent students do not drop out because of poverty, and the gap between the rich and the poor is not widened by paid education. Incomplete supporting system not only baffles the reform, sometimes it even lead to the opposite of what we wish. Therefore, to undertake market-based education policy, it is imperative to revamp educational systems that do not fit into the reform.

References: (omitted)

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This study accentuates the importance of understanding the local milieu with all its ambivalences, if participation goals are to be achieved. Factors such as existing governance structures, participants' prior knowledge and skills, social relationships, and open communication modeled the way in which teachers developed their network and how they participated in the project. Even though the results are specific to the five selected Mafeteng Schools, there are lessons that can be drawn and found applicable in different settings.

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