

## The Growth of Privatization in China's Higher Education

### -Growth Patterns of educational spatial disparity and Causes of the growth

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**Abstract:** The paper aims to analyze the underlying growth pattern under the circumstances of privatization in China's higher education and this analysis is a prerequisite to the further development of private education in China. This paper first set out to analysis characteristics of private higher education in China. And then, by reviewing the relevant historical and documentary literature, analysis and discussion will be carried out to illustrate the growth pattern of private higher education in China. In addition, rationales of the growth patterns will be analysed and discussed. Finally, the significance of studying the spatial disparity of Minban higher education institutions will be emphasized.

#### 1. Introduction

Playing an important role rather than just a simple public system now, Chinese higher education has witnessed a great change in the last 40 years under the management of the central government. Chinese private higher education, namely Minban higher education has also experienced the most meaningful development in this course from the early 1980s. Minban higher education is non-state higher education institutions and characterized by its ownership held by individuals rather than governments, differentiating it from regular state-owned higher education institutions in Chinese official documents. Western culture regards Chinese Minban higher education as a branch of private education. However, this is in fact a misunderstanding as there are many differences existing between these two concepts in many aspects like the organization, governing and financing methods. For instance, rather than being supported by private donation, most Chinese Minban institutions just rely on students to provide financial assistance in forms of tuition and fees. There may be some affiliation relationship between some Minban universities or colleges and local government institutions while this relationship cannot bring financial support from the local government. Nowadays in China, 747 Minban institutions are in operation, accounting for 28.39% of higher education institutions in 2017. Those who organize these institutions can be classified into different institutions, some of which are different parties (there are eight minor political parties which are called democratic parties performing their role in government and building cooperation relationship with the CCP in China), some are social organizations, independence colleges (franchise from parent universities) and some may be foreign-owned enterprises.

#### 2. The Development of Private Higher Education in China

The growing prominence of the 'private sector' in education is another prominent feature captured in China's transitional economy. In late 1993, the Program for Reform and the Development of China's Education stipulated that the national policy was actively to encourage and support social institutions and citizens to establish schools according to the laws and to provide the right guidelines and strengthen administration [1]. The Education Law promulgated in 1995 confirmed once again that the state would give full support to enterprises, social institutions, local communities and individuals to establish schools under the legal framework of the People's Republic of China (PRC) [2]. In short, the state's attitude towards the development of non-state-run education can be summarized by the phrase 'active encouragement, strong support, proper

guidelines, and sound management. Under such a legal framework, coupled with the ‘decentralization’ policy context, educational providers have proliferated, particularly when the Chinese state, in an effort to expand capacity, encouraged all democratic parties, social organizations, retired cadres and intellectuals, collective economic organizations and individuals subject to the Party and governmental policies, actively and voluntarily to contribute to developing education through various forms and methods [3]. Therefore, the rise of the private/MinBan sector in China’s education has developed towards a hybrid of public and private. Two types of MinBan higher education, including independent colleges and transnational programs jointly offered by Chinese and foreign partners, are typical examples of the public–private blurring. Independent colleges refer to the extension arm of public (national) universities, which are run as ‘self-financing’ entities and operated in terms of ‘market’ principles. Considering conventional minban colleges lacking ‘self-discipline’ and posing difficulties for management, such kinds of publicly-owned but privately-run higher education institutions are established as alternatives for achieving the policy objectives of increasing the higher education enrolment rate [4][5][6]. But, with their characteristics of fee charging under the market mechanism, Independent colleges also serve as revenue-generating projects with a background of decreasing government financial support. In Jan 2016, The State Council of the People's Republic of China issued the “ To promote the world-class universities and first-class discipline construction overall program” pointed out that “ Colleges and universities should continue to broaden the financing channels, and actively attract social donations, expand social cooperation, improve social support long-term mechanism, multi-channel pool of resources, enhance self-development capacity”[7] It is against this wider policy context that these sorts of ‘minban’ institutions have become increasingly popular in China. The graph shows the growth of “minban” institutions in China.

In 2016, Annual report of the Ministry of Education, People’s Republic of China (MOE), shows on current developments of private/minban higher education at a press conference, indicating that by the end of 2015, there were 6.109 million students enrolled in these institutions, which accounted for 16.75% of the national total, representing an increase of 4.04%. According to the report, approximately 1500 private/minban higher education institutions had developed by 2015, of which 734 have received official authorization to grant diplomas or have been authorized to offer undergraduate degrees[8]. The report also suggests that of these 734 private/minban higher education institutions have average enrollment over 8000 students. Officials from the MOE also project that future higher education expansion will take place through the private/minban sector [8]. Despite the fact that the private/minban higher education sector remains small when compared to the large public sector, the private share of enrolments has been spectacular in terms of the growth rate, especially when viewed in a socialist political context. Seen in this light, education provision has obviously been diversified in the post-Mao period, especially with the increase in the private sector and the popularity of these market initiatives in higher education governance[4][9][10]. By 2015, there were 275 Independent colleges throughout China, while there are overall 734 private/minban sector in China[10]. After becoming a member of the WTO, China has also subscribed to the GATS agreement, thus permitting competition in the market of ideas and knowledge products and rationalizing the global trade in knowledge[11]. It is also against this policy environment that international public–private partnership of higher education has increased such as jointly offering academic programs by local and foreign institutions in China[12]. In 2003, the government issued the Regulations of the People’s Republic of China on Chinese–Foreign Cooperation in Running Schools, providing details not only on how transnational higher education is governed but also allowing overseas institutions of higher learning to make a profit from these joint programs[7]. With a more favorable policy background, there were 1155 joint programs provided in Chinese institutions in collaboration with overseas partners and 82 joint institutions with overseas partners in 2015. As the privatization of higher education sector in China is dominated by the foreign higher education in term of discipline system, most educational pattern are from foreign universities, thereby representing a growing trend of international partnerships in privatization of higher education in China. Minban education is an important growth point in the

development of educational business and a key force in promoting education reform. The “National Medium and Long-term Education Reform and Development Plan Outline (2010-2020)” that was published on July 2010 takes “vigorously develop Minban education” as an important guideline for the development of Minban education, which meanwhile puts forward that governments at all levels must regard the development of Minban education as an important responsibility, encourage investments and money donation for running schools and promote social forces to develop education independently and jointly. In recent years, under the support of relevant laws, regulations and policies, the Minban education in China has achieved a good development space. Due to the vast territory of China and different development levels of Minban higher education in various provinces, there exists a great disparity in the development of Minban higher education even in provinces with similar economic development level. Therefore, the degree of regional disparity in Minban higher education and its influencing factors have become the focus of many scholars.

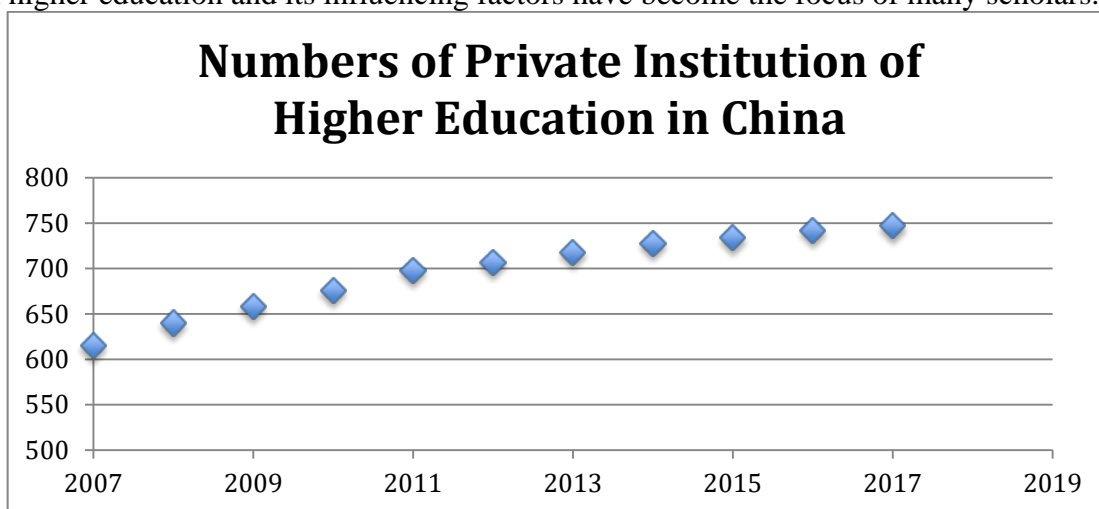


Fig 1 Numbers of Private Institution of Higher Education in China

### 3. Growth Patterns of Educational Spatial Disparity in Private Higher Education

Privatization of higher education and the development of this process have been explored by many scholars in their studies; however, as they suppose that local higher education in different provinces or regions is developed independently and separately, the special dynamics in this process is overlooked[13][14][15][16]. These traditional theories about the development of higher education are also known as exogenous growth theory. To make a more comprehensive analysis, endogenous growth theory is introduced with its consideration of spatial dynamics in research on the development of higher education. In this assumption, neighboring region strategy will bring more local benefits to regions. It should be acknowledged that strategic interactions among adjacent provinces or regions play a significant role in this process. The endogenous growth as mentioned above actually indicates the harmonious growth of private higher education in terms of both pace and space in China. In order to realize this kind of harmony, these two aspects should develop in a balanced way and meanwhile it is also considered that there is a correlation between them. Thus, it is necessary to address both of these two factors simultaneously. The balanced development of pace and space is conducive to realizing the growth of private higher education in a healthy and sustained way. In order to have a better understanding of this kind of growth, there is a necessity to conduct investigation on the inter-regional dynamics of the higher education systems in terms of space.

The regional disparity of education can usually be measured with three methods, which are standard deviation of schooling[17][18], Gini coefficient and Theil index, respectively, among which the first one is simplest. The second method, for instance, was once adopted by Galea and Ahern (2005) to investigate the education distribution and the level of disparity in various regions of New York City. As for the third method Theil index, the scholars Rodri'guez-Pose and Tselios

(2010) made use of it to measure the educational disparity in western area of Europe during the period of 1996-2002. Although some situations of higher education can be obtained from these investigations, it can hardly provide people with something about the causes and nature of the dynamic growth of higher education. Although more and more literature has discussed the issue of educational disparity in China, the results of empirical research are still hot topics of debate. The educational gap in Chinese compulsory education was estimated by Tsang and Ding (2005) in 1997 and 1999. The Gini coefficient and Generalized entropy (GE) were adopted by Zhang and Kanbur (2005) as indicators to measure the spatial disparity of primary education during the period of 1978-2000. Qian and Smyth (2008) measured the disparity between provinces in the coastal area and those in inland area of China in 1990 and 2000 by way of Gini coefficient and decomposition analysis. Nevertheless, most of the research was targeted at the disparity in primary and secondary education in China, while little focused on the spatial inequality of higher education. Through empirical study, the nature of disparity and the factors that caused such kind of disparity in the higher education of China were explored by Hongmin (2007). Later, the method of quantitative analysis was adopted by Hawkins et al. (2009) to study the regional inequality of higher education in China. It was found from these investigations that the pace and space about the growth of higher education were not balanced and they were considered to be developing in an absolutely opposing way. Two different theories are used in exploration of the condition and source of educational spatial disparity. One theory is called exogenous growth theory of education, which includes many traditional methods like standard deviations, Gini coefficient, Theil index and classic regression models, widely used by previous researchers who regard this disparity as a form of educational inequality. While the other theory known as endogenous growth theory of higher education provides a new explanation. It is obvious that there is some relationship between this endogenous growth theory of higher education and the convergence literature which covers the spatial dimensions of the numbers contained in the empirical analysis[19][20]. Some important dynamic mechanisms which play important roles in forming unjust regional education are also applicable in the endogenous growth theory of higher education and this relationship is defined as “strategic interaction” in literature. Policy factors in one district usually have impact on policy factors in another nearby district and this kind of influence is referred to as strategic interaction. The spatial dependence has been taken into consideration by some education researchers in their studies, such as the research on teachers’ payroll in Pennsylvania school region in Greenbaum (2002), the study on strategic interaction in US school area in Rincke (2006), the spread of charter schools in California school districts in Rincke (2007), price contest among US universities in McMillen, etc. (2007) and strategic interaction in US state-owned school area in Ghosh (2010). Though strategic interaction and educational disparity which exist in education have been studied in lots of research, the spatial dynamics in neighboring provinces or regions which influence the development of private higher education are only covered by a small number of researchers.

Regarding the situation in China, domestic scholars have carried out relatively research on the educational spacial disparity, the imbalance of spatial distribution and the influencing factors of regional disparity in education. Mingdong Luo (1999) believed that the geographical environment of China restricted its educational development indirectly, so that the development of education in our country presented a regional imbalance. Qiang Li and Zhongyuan Wu (2008) believed that the main reasons for regional disparity in educational development were the level of economic development and educational input, the hierarchical management system and the deviation of education policies, etc. Wei Zhang and Tengfei Shi (2009) adopted the Gini coefficient to calculate the total expenditure and business expenditure of education at all levels in various provinces from 1996 to 2006. The empirical results show that the unfairness of regional education expenditure is an important reason for the unbalanced development of regional education. Xiaoxu Lu, Yuqi Lu (2011) et al. studied the regional disparity of educational expenditure in China by using the indexes such as coefficient of variation, Gini coefficient and Theil indices, and believed that the regional disparity in educational expenditure of China would be gradually narrowed. Some scholars also studied the regional disparity of Minban higher education and analyzed its influencing factors. For example,

Yongyuan Hu and Zhiyong Liu (2004) studied the influencing factors and output elasticity of Minban education in China by using the econometric model, and believed that the strong demand of society for education was the main factor affecting Minban education in China.

In terms of the analysis of regional disparity in Minban higher education, the main existing studies are summarized as follows. First, when the ratio of internal students from Minban higher learning institutions to all college students is selected as the index, the regional disparity is reflected in the following two aspects. During 2003-2006, the variation coefficient of the ratio of Minban college students was reducing year by year, showing that the inter-provincial difference was gradually narrowing [21]. The inter-provincial difference in the east region is larger than that in the central region, while the inter-provincial difference in the central region is larger than that in the west region [22]. When the number of Minban higher learning institutions or the proportion they account for in all colleges and universities is selected as the indexes, the regional disparity is reflected in the following three aspects. First, the variation coefficient of the ratio of Minban higher learning institutions in each province to the total number of colleges and universities is on a declining trend, which indicates that the inter-provincial difference is reduced[23]. Second, Minban higher learning institutions present a negatively skewed distribution in each province, which means that more provinces have established fewer Minban higher learning institutions, while fewer provinces have set up more Minban higher learning institutions. In addition, the average number of Minban higher learning institutions in eastern provinces is close to that in central provinces, but the average number in western provinces is far lower than that in eastern and central provinces [24]. Third, when the proportion that the schooling expenditure of social organizations and individual citizens accounts for in total educational expenditure is selected as the index, the regional disparity is as follows: during 2003-2006, the variation coefficient of this index was decreasing year by year, showing a decline of the inter-provincial difference [21].

From the above literature review, it is found that the studies conducted by Chinese scholars on regional disparity in higher education mainly base on the analysis carried out by means of static difference measurement indexes and classical econometric methods, but fail to consider the spatial interaction of higher education; especially few studies have been conducted on Minban higher education. This paper conducts research on the spatial distribution characteristics of Minban higher education based on the theories and methods of spatial statistics and econometrics established by scholars such as Anselin(1988), with a view to discussing the law of regional spatial distribution of Minban higher education.

#### **4. Rationales of Regional Disparity in Minban Higher Education**

The family's choice plays a vital role in the development of private education. When analyzing the issue whether families will choose public education or private education, there are mainly two theoretical explanations: ability difference and income difference, that is, the family's choice between public school and private school is differentiated through the ability and income threshold values [25][26]. James, an American scholar, made a more perfect explanation of the existence of private education and the family's demand for private education. From the perspective of demand, he argues that private education exists for two main reasons. The first one is the excess demand, which means that public schools cannot meet the enrollment demand of children from all families under the condition of insufficient public financial investment. Therefore, some people will inevitably choose to accept private education. The second one is the differentiated demand, that is, families have different demands for education and will make differentiated choices in private education because of differences in religion, language, culture, quality and nationality[26]. In terms of empirical research on factors influencing regional disparity in private education, the earliest and influential research is "why different countries choose different modes of education" that was written by James (1993). In the study, the data of 12 developed countries and 38 developing countries in 1975 were used, and the proportion of private primary and secondary school students in the total number of primary and secondary school students was taken as the explained variable to measure the scale of private education in a country, the religious belief and language diversity were

used to measure the differentiated demand, the proportion of public education expenditure in GDP was adopted to measure the excess demand and supply capacity of public education, and the ratio of government funding to private school expenditure was taken to measure the degree to which private education was supported by policies. The results show that, after controlling for the per capita income variable, countries with more diverse religious beliefs, lower ratio of public education expenditure to GDP and more government funding for private education have a larger scale of private education. Following the ideas of James, Chinese scholars Song Guanghui and Chen Yong summarized the variables affecting the scale of Minban education from excess demand and differentiated demand theories respectively by using the panel data of Minban education in various provinces of China from 2003 to 2006: (1) The variable that affects the total demand for education, namely per capita GDP (measure the level of economic development); (2) The variable that affects the excess demand, namely the educational expenditure within the per student budget (measure the government's investment in public education); (3) The variables that affect the differentiated demand, namely the income gap (measure the heterogeneity of social groups), the proportion of non-agricultural population (measure the level of urbanization) and the ratio of Minban education students to teachers (measure the quality of schooling). The research results show that: (1) if the proportion of Minban education students in the total students from schools at the corresponding level is taken as the explained variable, the provinces with higher per capita GDP, smaller income gap and higher ratio of students to teachers will have a greater demand for Minban higher education. (2) if the ratio of Minban schools to the total schools at the corresponding level is taken as the explained variable, the provinces with higher per capita GDP and lower educational expenditure within the per student budget will have a greater demand for private higher education; (3) if the proportion of schooling expenditure of social organizations and individuals in total educational expenditure is taken as the explained variable, the provinces with higher per capita GDP and smaller income gap will have a greater demand for private higher education.

## 5. Conclusion

In this paper, the significance of studying the spatial disparity of Minban higher education institutions will illustrate as follow. First of all, it is an important aspect to examine the development status of Minban higher education in our country, which plays a certain role in mastering the development law of Minban higher education in China. Second, with the promulgation and implementation of laws and regulations related to private higher education, the legal status of private higher education in China has been basically established, and it has begun to enter a new stage of development characterized by competition and cooperation, reflected in the differences in the development level and form of private higher education in various regions and different private higher education institutions. Therefore, the analysis of the spatial disparity of private higher education institutions is conducive to revealing the organizational characteristics of private higher education development. Third, there is still little research conducted on the spatial disparity of Chinese private higher education institutions. There are some limitations in this research. Because of the absence of relevant policy that allows uncovering the information, lots of institutions that were contacted showed no interest in the intensive interview. What the respondents and research workers perceive and explain in the interview may exert some influence, which doesn't mean that the information they provide is useless, but means that they can make explanation of the information that they have perceived and I can also explain the words they express.

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