

## The Problems Faced by Private Education at Present

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**Abstract:** Based on the latest macro-level data analysis, this paper reveals the increasingly important position of private education in China's education. Based on the provincial data, this paper also depicts the inter-provincial development differences of various types of private education at all levels. At present, the development of private education is facing a number of important challenges, including improving the supervision of non-profit schools, innovating financial support system and the impact of private schools on educational equity.

In recent years, private schools in China have presented some new characteristics and development trends, and have gradually become an important part of China's education. This paper will start with the analysis of regional differences, new development opportunities and policy challenges of private schools in China, and systematically discuss the new features and problems of private schools in China.

### 1. Development Trends and Inter Provincial Differences of Private Schools at All Levels in China

Following the implementation of the Civil Promotion Law in 2002, various types of private education at all levels in China have developed rapidly. From 2002 to 2016, the number of students in private schools at all levels increased from 10.4473 million to 48.0623 million, an increase of 3.78 times. The proportion of students in private schools increased from 5.34% to 18.94%.

From the perspective of the development pattern of various types of private education at all levels within each province, the situation of each province can be basically divided into the following groups: (1) The first group includes Zhejiang, Henan, Hainan, Guangdong, Shaanxi, Jiangxi, Hunan and Jilin, and their private education is in a "generally developed" or "more developed" position at all levels. Likewise, most of the private schools at the educational level in these provinces are at the forefront of the country in terms of relative importance. (2) In the second group, the six major levels of private education belong to the "underdeveloped" provinces of Tibet, Xinjiang and Gansu, while Qinghai is "underdeveloped" except for the private kindergartens which are moderately developed. That is to say, in most of the western underdeveloped provinces, the supply of private schools is relatively small. (3) The third group is the remaining provinces, which have three types. This shows that within most provinces, the development of private education at all levels is very different, and can not be summarized in a single model, that is, the dependence of provinces on private education at different levels is different.

### 2. The Development of Private Schools

At present, the landing of the new Civil Promotion Law has initiated the reform of classified management. At present, more than half of the provinces have formulated and promulgated implementation rules in line with local actual conditions. At this new historical starting point, private education is facing three basic problems that deserve further consideration.

### 3. How to Supervise Non-Profit Private Schools?

The new Civil Promotion Law of 2016 deletes the relevant provisions of "reasonable return", and

initiates the "classified management" reform of "for-profit" and "non-profit" private education. For for-profit schools, the state has promulgated "Rules for the Implementation of Supervision and Management of Profit-making Private Schools" and "Tables for Matters Related to Registration and Approval of Profit-making Private Schools" to supervise for-profit private schools. However, there is no specific policy to explain the supervision of non-profit private schools.

For non-profit private schools, the new Civil Promotion Law requires that the sponsors of such schools should not obtain the proceeds of running schools, and the balance of running schools should be used for running schools. Therefore, it is necessary to supervise them to ensure their "non-profit" attributes. China's Charity Law also mentions that relevant institutions should implement the unified national accounting system, conduct accounting according to law, establish and improve accounting supervision system, and accept supervision and management by relevant government departments. At the same time, the sponsors, major donors and managers should not use their relationship to damage charitable organizations. Beneficiaries' interests and social and public interests."

Although there are legal provisions, the current regulatory mechanism for the affiliated transactions of non-profit organizations and the fairness of their pricing is absent. In the Opinions on Reforming the Management System of Social Organizations to Promote the Healthy and Orderly Development of Social Organizations published in August 2016, the importance of "strengthening the supervision of the funds of social organizations" was also emphasized. In addition, the five-year tax-exempt and preferential eligibility of non-profit organizations was extended in the Notice on the Certification and Management of Tax-exempt Qualifications of Non-profit Organizations issued in February 2018, and the non-profit characteristics of non-profit organizations were further highlighted, although the Notice emphasized "the taxable income obtained and its related costs, Costs and losses should be accounted for separately with tax-free income and related costs, expenses and losses, but there are no specific measures and Implementation Rules for illegal and compliance related transactions.

In addition, at present, more than 20 private education groups have been listed overseas in China, and the vast majority of educational groups mainly engaged in academic education use VIE structure [2]. The main purpose of this method is to avoid the restrictions on investment in academic education by domestic and overseas investors in order to avoid the uncertainties and risks of policy when academic education is listed. Overseas actual controllers can enable private schools in China to obtain school-running income by signing agreements with tuition fees, consulting fees, management fees, rental fees and so on, and transfer profits to overseas substantive control companies. The main business of these educational groups involves all levels of education. In the compulsory education stage, in addition to the provisions of the new Civil Promotion Law, compulsory education is stipulated as one of the industries prohibiting foreign investment in the newly revised Catalogue of Guidance for Foreign Investment Industries (revised in 2017). At the same time, foreign investment in preschool, high school and higher education institutions (limited to Chinese-led Chinese-foreign cooperation in running schools) is stipulated as "restricting foreign investment industries" [3]. This leads to the need for more supervision of overseas listed companies, especially non-profit educational institutions. On the one hand, in order to maintain their "non-profit" characteristics, on the other hand, in order to avoid the existence of "foreign capital disguised into the field of compulsory education, and through controlling the behavior of school organizers involved in school management, it should be standardized" [4].

#### **4. How to Innovate the Financial Support System of Private Schools?**

Since the 1980s, although the state has gradually improved and enriched the support policies for non-governmental schools from the aspects of system construction, the specific support means and standards are still decentralized and formulated by the local government, which has brought about the diversified support measures adopted by local governments for non-governmental schools. In the new Civil Promotion Law, the idea of decentralized private education is still continued. It emphasizes that the implementation of the reform of classified management needs to "adhere to the

combination of top-level design and grass-roots innovation". At the same time, local governments at all levels need to determine the implementation opinions and supporting measures according to the actual situation, and establish "differentiated" support policies for different types of private schools.

Each province has different subsidy intensity and support focus, but the starting point, focus and difficulties of support are still many, such as: how to support for-profit and non-profit private schools in order to make the two coordinated development? What are the proportions of support for private compulsory education and private non-compulsory education? How to improve the effectiveness of financial support? These problems are not reflected in the implementation rules of the provinces.

Since September 2017, various provinces (autonomous regions and municipalities directly under the Central Government) have issued specific implementation rules. As of June 2018, implementation suggestions were issued in Anhui, Gansu, Hebei, Hubei, Jiangsu, Inner Mongolia, Liaoning, Shaanxi, Shanghai, Tianjin, Yunnan, Zhejiang, Chongqing, Guangdong and Ningxia provinces. In the implementation rules of provinces (autonomous regions and municipalities directly under the Central Government), the supporting policies for private schools, in addition to the traditional subsidy of per capita student funds, grant loans and so on, have different degrees of emphasis and innovation on the support of private schools. For example, in the rules of Anhui and Hubei provinces, the government emphasizes the standardization and procedure of purchasing services from private schools, and calls for the establishment of performance evaluation system. Zhejiang Province pays more attention to direct financial investment, including "continuing to implement" the existing investment policy for private education, and at the same time increases the special transfer payment of provincial finance for private education. The supporting rules of Shaanxi Province are particularly detailed, and all kinds of supporting policies around private education are clearly stipulated. In Hubei Province, there are innovations in the way of land supply, and the emphasis is put on revitalizing the stock assets. For example, private capital can use the spare resources of schools, hospitals, factories, commercial facilities, etc. to integrate and transform the land and housing resources for running schools, and can temporarily not go through the formalities for the change of land use and use right holders within five years. Where land for educational facilities is supplied by leasing, the land supply mode of long-term leasing, first leasing, then transferring and combining leasing shall be adopted. In addition, many provinces and cities have emphasized the role of Finance in promoting private schools, encouraging the use of educational public trust, intellectual property pledge loan business, future operating income, asset securitization and other financial products to provide diversified financial services for private schools.

Understanding the relationship between public schools and private schools is a very important issue, which plays a vital role in understanding the development of public and private schools between and within regions, as well as the role of private schools. With the continuous opening of the education market, private education has gradually become an important supplier of education in China. The role of the private education system developed under the former unified structure of public administration in public education and the whole education system deserves further study.

## **5. Summary**

In fact, in the two opposite attitudes, it seems difficult for us to make the judgment of "two harms are less harmful", because both of them directly affect children's access to school and educational equity. The former points out that the non-transparent and non-institutionalized enrollment process of high-end private schools has destroyed the whole training process of basic education, including a series of advanced learning, student background investigation, early enrollment, cooperation with training institutions and screening. The latter holds that high-end private schools are a more appropriate choice in the context of high housing prices. Because high-price school district housing and high-end private schools affect the fairness of education at different levels, straightening out the relationship between public schools and private schools, and guiding the healthy development of public and private schools is a very important issue at present.

At the micro level, the government is faced with how to regulate and guide the behavior of private schools. In all aspects of running schools, it can not only maintain the independence and openness of private schools, but also avoid violating basic educational rules. At the macro level, it involves not only reflecting on the reasons for the decline of the internal quality of public education system and the possibility of its improvement, but also how to equalize the quality of resources.

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