Is Chinese Education Underfunded?*

Andrew Kipnis and Shanfeng Li

ABSTRACT Scholarship on education in China has correctly emphasized the massive inequalities in reform era educational funding. In describing these inequalities, however, scholars have made dubious claims about the supposedly low level of funding for education in China in relation to other countries. In this article, we examine the statistics on which this claim is based and detail the ways in which education is funded in China that do not get counted in the statistics. We conclude that though funding for education in China is unequal, the total level of such funding may not be low. Moreover, the official statistics are not a reliable guide to comparative discussions of educational funding.

Scholarship on education in China during the 1990s and early 21st century has correctly emphasized the massive inequalities of Chinese educational funding. However, many of the authors who discuss this inequality have supported their arguments with what we view as a more dubious claim: that investment in education in China has been low compared to that of other countries.[1] The statistical information on which these claims are based is too incomplete to give either an accurate portrayal of educational spending in China or a basis for comparison with other countries.

Our own extensive but qualitative research in Shandong suggests that aggregate spending on education has been both comparatively high and quite unequally distributed. The inequalities result from the fact that much of the money spent on education in China has come from individual households and local governments, and because spending by the higher levels of government, at least until recently, has overly benefited higher-level, elite educational institutions located in urban areas

* A warm thanks to everyone who granted us interviews in Shandong. We are grateful to the Australian Research Council for support provided by an ARC linkage grant (LX0775919) and an ARC Discovery Grant (DP0556422). Thanks also to Jonathan Unger for suggesting revisions.

1 Deborah Davis, Pierre Landry, Yusheng Peng and Jin Xiao, "Gendered pathways to rural schooling: the interplay of wealth and local institutions," *The China Quarterly*, No. 189 (2007), p. 61; Teng Margaret Fu, "Unequal primary education opportunity in rural and urban China," *China Perspectives*, Vol. 2005, No. 60 (2005), p. 34; Xue Lan Rong and Tianjian Shi, "Inequality in Chinese education," *Journal of Contemporary China*, Vol. 10, No. 26 (2001), p. 120; Rachel Murphy, "Paying for education in rural China," in Vivienne Shue and Christine Wong (eds.), *Paying for Progress in China: Public Finance, Human Welfare and Changing Patterns of Inequality* (London: Routledge, 2007), p. 69; D.P. Yang, "Pursuing harmony and fairness in education," *Chinese Education and Society*, Vol. 39, No. 6 (2007), pp. 5–7.

© The China Quarterly, 2010 doi:10.1017/S0305741010000263

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press

as opposed to primary and junior middle schools in rural areas. The high overall level of spending is important to note, however, because a devotion to education is an important aspect of state–society relations in China, influencing economic priorities, strategies for political legitimization, ethnic relations, demographic patterns and societal development in the broadest sense of the term.

Perhaps the original source for the argument that Chinese spending on education is low in the English-language literature on China is an article by Xue Lan Rong and Tianjian Shi in which they state:

> By any standing, expenditure on education in China has been far too low for too long. For many years only about 2.5 per cent of China's GDP has been dedicated to education – one of the lowest rates of educational expenditure in the world. At 2.5 per cent of GNP in 1990, China ranked 114th in the world, far lower than even most other developing countries.[2]

The source of Rong and Shi's statistics, like the rest of the authors cited above, are China's official statistical yearbooks. These yearbooks do show figures for government spending on education that average around 2.5 per cent of GDP for most of the 1990s, which pale in comparison to the world average figures of about 5 per cent given by the United Nations (also reproduced in the 2001 yearbook).[3] But even here what Rong and Shi describe as the percentage "of China's GDP … devoted to education" is in fact the official statistic for government spending on education, not the statistic that the same yearbook reports for the total amount of spending on education. During the 1990s the official statistic for total spending on education rises from roughly 3 per cent to roughly 4 per cent of GDP. To provide a partial update on these numbers, figures from the 2008 version of the *China Statistical Yearbook* indicate that in 2006 government spending on education had risen slightly to about 3 per cent of GDP and that total spending on education (including government payments, funds spent by private schools, private donations to public schools and tuition fees charged to parents) amounted to about 4.6 per cent of GDP.[4] As we will argue below, even these figures underestimate the total amount of money spent on education.

In the province of Shandong, where we have conducted research on education in ten rural counties and three urban areas since 1999, visiting over 100 schools between the two of us, the level of educational spending appears to be quite high. Educational infrastructure has recently been catching up with, and in many cases exceeding, the facilities at public schools in Australia, where one of the authors lives and which, according to the UN statistics cited above, is a first world

2 Rong and Shi, "Inequality in Chinese education," p. 120.

3 See National Bureau of Statistics (comp.), *China Statistics Yearbook 2001* (Beijing: China Statistics Press, 2001), p. 897. The fact that the UN and other international agencies publish such statistics but base their numbers on data from individual countries compounds the problem. Readers might imagine that the UN has either independently verified the data or at least ensured that each country is counting spending by the same methods. In the Chinese case, it is clear that the UN data simply reproduces that from China's statistical yearbooks. As the many footnotes to the UN data make clear, the data from different countries is not really comparable. This incomparability also makes the 5% average figure questionable.

4 National Bureau of Statistics (comp.), *China Statistics Yearbook 2008* (Beijing: China Statistics Press, 2008), pp. 37, 802.

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press

country that devoted 5.5 per cent of its GNP to education. Teacher salaries have also been rising to a point where, compared to average income levels, they are higher than Australia.[5] We initially assumed that because Shandong is a relatively wealthy province, the discrepancy between the research cited above and our own experience was a matter of inter-provincial variation. After a more careful examination of both the statistics and the routes of educational funding in Shandong, however, we became convinced that the way in which the statistics have been collected and interpreted, rather than inter-provincial variation, explain this discrepancy.

In addition to national averages, the *China Statistical Yearbook* allows the calculation of the percentage of GDP that has been spent on education in each of the provinces. According to these figures, educational spending in Shandong, far from being exceptionally high, was exceptionally low, even by Chinese standards. In 2006 the government (all levels) supposedly spent an amount equivalent to only 1.6 per cent of provincial GDP on education, and total spending on education reportedly amounted to only 2.5 per cent of provincial GDP.[6] As Carsten Holz has recently argued for China's GDP statistical data, such numbers raise more questions than they answer.[7]

The 2008 *Yearbook* statistics divide the sources of educational funding into five basic categories: government appropriations; income from tuition, miscellaneous fees and research grants; funds of social organizations and citizen-run schools (that is, private schools); donations; and other. Of these, the first two are by far the largest, accounting for about 90 per cent of the funding in most years. The government appropriations are divided into budgetary and extra-budgetary funds, with the former much larger than the latter. Extra-budgetary funds comprise three sources: the dedicated education tax (*jiaoyu fujia fei* 教育附加费) paid by enterprises and previously also paid by rural households; enterprises that pay part of their local tax burden directly to schools; and tax-free profits of enterprises that are run by schools themselves (usually by technical schools at the tertiary level, employing non-students, not to be confused with the illegal use of student labour to earn money for schools).[8] Of these funds, the largest source is the dedicated education tax. When the 2002 implementation of the tax-for-fee

5 Internet sources show that the range of teacher salaries in Australia (roughly $A39,000 to $A58,000 in 2003, see http://www.educationworld.net/salaries_aus.html, accessed 3 March 2009) is comparable to the average income for a full time worker ($A49,000 in 2004, see http://www.smh.com.au/articles/2004/08/19/1092877127562.html?from=storylhs, accessed 3 March 2009). In Shandong, in all the districts that we visited, the range of teacher salaries was considerably higher than average income levels. In one county, for example, primary school teachers made between 1,000 and 2,000 yuan per month and secondary teachers 1,300 to 3,500 yuan per month while the average salary was 800 yuan per month.

6 *China Statistics Yearbook 2008*, pp. 49, 802.

7 Carsten A. Holz, "China's 2004 economic census and 2006 benchmark revision of GDP statistics: more questions than answers?" *The China Quarterly*, No. 193 (2008).

8 This information comes from a speech by the head of the head of the Education, Science and Culture Division of the Ministry of Finance (*Caizheng bu jiaokewen si sizhang*), Zhao Lu, who is the official responsible for compiling the statistics in question. The speech was given on 6 June 2007 at the meeting "Financial issues in post-compulsory education" in Beijing and entitled "Financial policies in support of the expansion of post-compulsory education." A copy is accessible at http://www.mof.gov.cn/jiaokewensi/zhengwuxinxi/lingdaojianghua/200806/t20080624_49855.html, accessed 25 September 2008.

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press

reform made it impossible to collect this tax from rural households, the amount of extra-budgetary funds dropped sharply, even though the tax was still levied on enterprises.[9] Thus, at least before 2002, the term "government appropriations" masked the fact that even some "government" funds were collected directly from rural households. As some of the authors cited above have argued that China's low level of government spending is evidence of high levels of inequality in educational funding, it is important to note that the converse is not necessarily true: high levels of "government appropriation" funded through unfairly levied taxes makes educational spending even more unequal.

In Shandong, resources have been pouring into schools in ways that are unlikely to have been considered in the above statistics. In the rest of this article we detail sources of funds besides official government allocations, the collection of tuition fees, funds for private schools and officially registered donations. Though there is a chance that some of the sources we discuss were counted in the "other" category of the official statistics, the size of that category is too small (amounting to 3–4 per cent of total spending in most years) to account for the vast discrepancy between the level of educational investment we saw on the ground and meagre funding for education in Shandong reported in the statistics. Because much of our information comes from interviews with county officials and school principals, we will not reveal the actual names of the schools and the places. At the end of the article we return to some of the implications of this funding for discussions of educational inequality and education in China more broadly.

Unrepayable Loans

Loans are perhaps the largest source of money for building new educational infrastructure. Loans to build new schools, buildings and facilities are obtained by township, county, city and provincial governments, and universities. China's banks grant many of the loans under considerable political pressure, and many of the loans are quite risky. When they fail, exactly who will pay for the losses and whether the banks will actually foreclose on already operating public schools is a question that this article cannot answer, but unless the central government deems it politically acceptable to close schools and force local governments into bankruptcy, the debt will have to be absorbed by the higher levels of government.

Borrowing money for school construction was widespread during the 1990s and 2000s. A 2004 survey of 20 township governments across ten provinces conducted by the rural sociologist Zhao Shukai found that 80 per cent of township governments had problems with unrepayable debt and that the single largest source of their debts (17 per cent of the total) was borrowing that had occurred

9 On the impact of the tax for fee reform on rural education, see John James Kennedy, "From the tax-for-fee reform to the abolition of agricultural taxes: the impact on township governments in northwest China," *The China Quarterly*, No. 189 (2007). For an English-language presentation of the drop in extra-budgetary government expenditures on education, see Davis, Landry, Peng and Xiao, "Gendered pathways to rural schooling," p. 62.

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press

in order to "bring education up to standard" as part of a nationwide campaign during the mid-1990s. None of the townships had any concrete plans to repay their debts and all assumed that at some point higher levels of government would have to step in.[10] A national audit of the finances of 50 counties (and the townships within those counties) found that, as of 2001, the local governments owed a total of 2.3 billion yuan for loans borrowed for educational purposes. By 2003 that total had reached 3.1 billion yuan.[11] In relation to the total amount spent on education this figure would appear to be high, but not shockingly so. There are roughly 2,000 rural counties in China, so the 3.1 billion yuan for 50 counties could be extrapolated to 124 billion yuan for the entire country, roughly one-third of the 385 billion yuan government appropriation for that year.[12] While this debt was accumulated over several years, and we cannot estimate what portion of it will not be repaid, it should also be noted that this figure only refers to debts accumulated by county and township level governments, and does not count the debts accumulated by urban, prefectural or provincial governments or those accumulated by universities.

In the Shandong counties we visited between 2004 and 2008, the debt level seemed to be much higher than the 62 million yuan per county indicated by the 2003 survey. Every county we visited had several new schools recently built with loans, and in most counties these included a spectacular new senior middle school for which more than 100 million yuan had been borrowed. To give an idea of these schools, the level of borrowing and the financially risky nature of the loans, we detail three cases: a primary school built by a township government, a senior middle school built by a county government and an overview of universities borrowing to expand enrolments.

The primary school

The primary school was completed in 2003, at a cost of 14 million yuan, 12 million of which was borrowed. It was located in a township seat and was designated as the central primary school for the township. In 2005, it was educating more than 1,350 students from 30 of the township's 41 villages, many of whom were bused in every day. The township itself was relatively poor, with little industry, and was located in a moderately prosperous county. The school grounds occupied 30,000 square metres and had plenty of space for physical activities, including a dirt track, a compacted dirt athletics field, cement basketball courts and new ping-pong tables. The main building had 37 classrooms, and separate

10 Shukai Zhao, "Rural governance in the midst of underfunding, deception and mistrust," *Chinese Sociology and Anthropology*, Vol. 39, No. 2 (2007), pp. 36–44.

11 Zhonghua renmin gongheguo shenji bangongting, *Shenji jieguo gongbao 2004 #1: 50 xian jichu jiaoyu jingfei shenji diaocha jieguo* (Beijing: Zhonghua renmin gongheguo shenji bangongting, 2004), report available at http://www.audit.gov.cn/cysite/docpage/c516/200406/0622_516_9461.htm.

12 National Bureau of Statistics (comp.), *China Statistics Yearbook 2005* (Beijing: China Statistics Press, 2005), p. 712.

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press

language labs, computer labs, labs for science experiments, a large multimedia theatre, and offices for teachers and other staff, with computers for each teacher. The infrastructure was not much worse than that of public primary schools in Australia.

To secure the loan, the township government had given the bank the deeds for several buildings of teacher apartments on the township's junior middle school campus. The teachers had already bought their individual apartments at a somewhat subsidized cost of roughly 60,000 yuan per apartment several years earlier, so it would be difficult to say who actually owns these buildings. Township officials said that their tax revenues were low and that they were having difficulty repaying the loan. One of the junior middle school teachers said that she hoped that the township could meet its loan repayment schedule, but that if it couldn't and if the bank tried to reclaim her apartment, she would sue. How the courts would handle such a case, as well as the prospects of this loan being repaid, are questions beyond the scope of this article, though we would certainly assert that the bank's claim on resources that would guarantee the loan seem shaky.

The senior middle school

The second case involves the biggest and best senior middle school of a wealthy county. The new school campus was completed in the county seat in 2003 at a cost of 230 million yuan, 200 million of which was borrowed. In 2005 the school had over 7,000 students in 115 separate classes. The facilities are spectacular. All classrooms are equipped with multimedia capabilities; there are computer, science and language labs of many varieties, libraries, reading rooms, acoustically designed theatres for performances by music and theatre students, music and art classrooms with all manner of musical instruments and painting and sculpting equipment, a large outdoor athletics stadium with an Astroturf field and a high impact rubber track, ample basketball, volleyball and ping-pong courts, an indoor sports facility complete with a gymnasium and swimming pool, dormitory space to house all the students with multiple health clinics, pharmacies, canteens and stores scattered among the dorms, and beautiful landscaped grounds. While the school might be considered an elite facility – and in fact used to be the "keypoint" senior middle school for the county – its expansion means that more than half of the county's senior middle school students can be educated there. This pattern was widespread throughout Shandong: a county's former elite ("number one") senior middle school received funding to expand to a point where it could house most (in a few cases all) of the county's senior middle students.

To pay back the loan, the county government was relying on income generated by the school itself, which came from two main sources. First, it had transformed its old campus into a "publicly owned, privately run" (*guoyou minban* 国有民办) junior middle school. This school attracted students by claiming that its teachers

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press

were first rate and by offering the students a 50-point bonus on the senior middle school entrance exam. In 2005, the school charged tuition of 5,000 yuan per year (at that time public junior middle schools charged fees of 200–300 yuan per year; in 2007, in accordance with new provincial regulations, fees at public junior middle schools in this county were waived). Second, in addition to the fairly modest tuition fees that the senior middle school charged its students, it required students from outside the county together with those from within the county whose entrance exam scores were below the cut-off point to pay a one-off entry fee of 12,000 yuan (*zanzhufei* 赞助费). Approximately 40 per cent of the students had paid this fee.

While the county government was meeting its loan repayment schedule on the senior middle school in 2007, recent developments in Shandong province's education policy are threatening the school's sources of income. On 3 July 2008 the Shandong Education Bureau issued an official directive (No. 19) declaring that tuition-charging, "publicly owned, privately run" schools would not be allowed to operate in 2009. Either the schools must be returned to the state and transformed into non-tuition charging public schools, or they must be completely privatized, with their facilities, land, teachers and finances completely separated from state coffers. Either one of these changes would make it impossible for this senior middle school to use money earned at the junior middle school to repay its loan. Discussions of making senior middle school entry fees illegal even for students whose test scores are low or who come from outside the county have also taken place, though no official actions have yet been announced. Again, the loan would now have to be considered quite risky.

University borrowing

Spending on universities is included in the statistical yearbook figures cited by Rong and Shi, so we will briefly discuss the funding of university expansion through loans. Limin Bai has documented how China rapidly expanded its university enrolments after the 1997 Asia financial crisis.[13] Nationally, by 2004 there were university places for over 19 per cent of the age cohort who could enter university that year, in comparison to 9 per cent in 1998.[14] In Shandong, the number of new tertiary places rose from 62,994 in 1998 to 400,573 in 2005.[15] Roughly half of the places in 2005 were for regular four-year university courses, the highest percentage ever.[16] While Bai describes how the plan involved funding the expansion by increasing university tuition rates, he does not mention the massive loans taken out by universities and city and provincial governments to fund it initially,

13 Limin Bai, "Graduate unemployment: dilemmas and challenges in China's move to mass higher education," *The China Quarterly*, No. 185 (2006).
14 *Ibid*. p. 129.
15 Shandong sheng tongji ju (ed.), *Shandong Statistical Yearbook 2006* (Beijing: Zhongguo tongji chubanshe, 2006), p. 468.
16 *Ibid*. p. 474.

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press

nor the fact that despite the tuition increases, many universities are struggling to repay these loans. According to Li Peilin, head of the sociology division of the Chinese Academy of Social Sciences, by 2005 China's universities had accumulated between 150 and 200 billion yuan of debt and a significant number of universities had reached the point where they were not even repaying the interest on their loans.[17] By 2005 Shandong universities had accumulated debts of 7.5 billion yuan, with annual interest payments amounting to 430 million yuan. Several Shandong universities have stopped making repayments altogether, but the banks refuse to write off the loans as that might force them to declare bankruptcy.[18]

Private Enterprises Building Public Schools

Another common form of funding school building in Shandong is for large industrial enterprises to build schools in the counties where they are headquartered. This is usually the result of complex negotiations that relate the building of schools to reductions in the tax responsibilities of the enterprise towards the county government, land use deals that the government grants the enterprise, or other advantages. The details of such agreements are generally held in secret, and involve financial terms that enable the county government to keep a greater share of tax revenues in local coffers than it might otherwise. Often the public face of the agreements is to describe the school as one that will educate the children of the enterprise's workers. While we were never privy to the full details of such school building agreements, we learned enough to give outline sketches of two cases. A crucial point is that the expenditures spent on building schools in this manner count neither as tax income for the county government nor as public expenditures on education. In essence, the county government disguises some of its tax revenue to shield it from the grasping hands of the prefectural and provincial governments. This sort of school building is thus different from cases where enterprises pay part of their taxes directly to local schools or education bureaus, which gets counted in the statistics on government spending on education.

In one moderately wealthy county with a large textile enterprise, the textile group that owned the factories agreed to build two new large primary schools on the outskirts of the rapidly expanding county seat. The schools have a capacity of 2,000 students each. The first was completed in 2004 at a cost of 35 million yuan and the second in 2008 at a cost of 40 million yuan. The schools' facilities exceed anything that we have ever seen at primary schools in Australia. They have multimedia facilities in every classroom, separate science labs for chemistry and physics experiments, computer labs, language labs, music classrooms with

17 Xin Ru, Xueyi Lu and Peilin Li (eds.), *2006 nian Zhongguo shehui xingshi fenxi yu yuce* (Beijing: Shehui kexue wenxian chubanshe, 2005); *China Statistics Yearbook 2008*.

18 Gong Li, "Shandong sheng gaoxiao 13 ge kuojian xiangmu yinghang daikuan zhan bida 62.8%," *Di yi caijing ribao*, 31 July 2006.

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press

pianos and various Chinese and Western musical instruments, a dance hall, specialized art and calligraphy classrooms, a small indoor sports complex with 12 ping-pong tables and automatic ping-pong ball serving machines, outdoor basketball courts, a hard rubber outdoor track, a large library/reading room, a large auditorium/theatre, separate rooms for Chinese chess, Western chess and Go (with more than 30 playing sets laid out on desks in each classroom), teacher offices with individual computers for each teacher, and a cafeteria. The schools were built primarily to educate the children of the factory's workers and secondarily for the children of "suburban villagers" whose land had been confiscated in the process of urban expansion and was now used by the factory. However, in 2008 most of the children came from suburban village families as most of the factory workers were too young to have school-aged children. The county government, however, believed that the factory's work force would age and produce more children in the future.

A second variation of this theme emerged in a relatively poor county (by Shandong standards). In 2005, a construction company built a 40 million yuan junior middle school at a cost to the county government of only 13 million yuan as part of a deal that enabled the construction company to build housing for the private market on another piece of land in the county seat. The junior middle school had classrooms for 2,500 students and excellent facilities in all areas except for physical education equipment, which was limited to outdoor basketball courts and ping-pong tables. Though the school was located in the county seat, the children who went there were all boarding students from the surrounding countryside who lived at the school and were bused home every other weekend.

Free Land and Government Services for Schools

In all the counties we visited, we never heard of a school paying rent on the land on which it was built. As county seats and townships have expanded, they have confiscated land from surrounding villages with sometimes more and sometimes less reasonable compensation packages offered to the villagers who were forced to give up their land. But whatever the compensation packages, the cost of this land was never passed on to the schools that ended up being built on it.

More surprisingly, in a number of cases we came across, when schools were given new campuses, the money derived from selling, renting or using the land and buildings on the old campus was retained by the county's education department to fund educational expansion. This was the case in the example of the new senior middle school campus built with bank loans described above. In another case in a relatively wealthy county, a construction company was given the land and buildings from an old campus (valued by the county at 26 million yuan) in exchange for building several of the main buildings on that county's new number one senior middle school campus.

Almost all the charges that county governments levy on new construction in their urban districts, including building inspection fees, surveying fees, fire

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press

prevention levies and building certificates, are waived in the case of schools. In addition, architectural designs for schools were in at least one county provided free by the Shandong provincial city planning office.

Funding Provided by Work Units

Another common way for good schools to earn money is through bargains with work units. This practice was more common in the 1990s than now, though it no doubt continues in some areas. Especially in urban areas, it was common for wealthy government offices, state-owned enterprises and even some private business groups to strike deals with schools whereby the work unit gives an undisclosed sum of money to the school in exchange for the right for its employees to send their children to that school.

Very often the schools that strike such deals were elite public "keypoint" schools, but in fact the deals work to make them less elite. In one large urban area, a bank gave money to a keypoint high school for this purpose. However, as most of the students had secured admittance by scoring highly on the senior middle school entrance exam, the children of the bank's employees were often among the worst in the school. The school eventually responded by segregating them into separate classes so that they would not influence the results of the rest of the students.

Though we heard rumours of agreements resembling this one at many urban schools, and a few in county seats, we were unable to verify examples at any of our research sites. We would not presume, however, that such deals no longer exist.

Free Labour

The most obvious source of free labour in the education system has been unpaid teachers. While the problem has recently been mostly alleviated in Shandong by shifting the burden for teachers' salaries from townships and villages to the counties, we would not rule out the possibility that some teachers, especially "substitute" (*daike* 代课) teachers, still go unpaid. In all the counties we visited, we learned of problems with unpaid "locally funded" (*minban*民办) teachers during the 1980s and 1990s. By the early 2000s, wealthier counties had managed to phase out all locally funded teachers, but even officials in these counties admitted to problems with their pay during earlier decades. Nationally the scope of the problem was large. One official report announced that as of 1993 rural teachers were owed a total of 1.4 billion yuan in unpaid wages.[19] In 2002 another report announced that the total had reached 1.1 billion for Shandong province alone.[20]

19 Zhou Daping, "Tuoqian jiaoshi gongzi: yige bixu zhuajin jiejue de wenti," *Liaowang* (*Outlook Weekly*), Vol. 42 (1993).

20 Guojia jiaoyu dudaotuan, *Dui Shandong sheng guanche luoshi guowuyuan jueding he guoban tongzhi qingkuang de dudao jiancha baogao* (Jinan: Jiaoyu ju, 2002), accessed at http://www.moe.edu.cn/edoas/website18/90/info12290.htm.

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press

While some unpaid teachers refused to work, we came across many cases of locally funded teachers who persevered out of a sense of mission. In either case, this unpaid labour has been an input to the Chinese education system and, especially in more impoverished districts, has allowed more education to go on than otherwise would have been the case.

Historically, when most primary schools were in villages, the schools were often built with village corvée labour on land provided free for the village. In Shandong during the 1990s, primary schools were gradually consolidated with larger villages being encouraged to build schools for the children of their own and several surrounding villages.[21] Insofar as their children would not have to travel to attend school, larger villages saw this as in their own interest if they did not have to pay too much for the school. Often county or township governments struck deals with such villages that involved the higher levels of government paying for construction materials and teachers in exchange for village construction teams agreeing to provide free labour to build the school.

It is also likely that some newer schools have been built with unpaid construction work. According to figures released by the National Ministry of Construction in 2007, governments in China owed 64.28 billion yuan in unpaid wages to construction workers for projects already completed.[22] As we did not interview construction workers, and officials did not wish to discuss unpaid wages with us, we were unable to confirm cases of schools being built without paying wages. We did, however, hear rumours about such cases in two relatively impoverished counties. Given the scale of the problem, it is almost unimaginable that some schools have not been financed in part by simply not paying for some of the construction work. It would not be hard to imagine that the shoddy quality of construction work in some schools, as evidenced by the school collapses during the 2008 Sichuan earthquake, occurs in a system where construction teams are often unpaid and learn to cut corners wherever possible in response to the unfair treatment they face.

Donations

Donations are a category listed in the official statistics, but it is difficult to say what percentage of donations makes it into these statistics. In one coastal county seat in 2006, as a result of various charity campaigns run through work units (by foundations like Project Hope), 1.76 million yuan was collected to pay the tuition fees of impoverished students. This money passed through the county's education bureau and thus should have been counted in government statistics of donations to schools. According to cadres in the county education bureau, however, money that was given directly to individual schools was not reported in the statistics.

21 Andrew B. Kipnis, "School consolidation in rural China," *Development Bulletin*, No. 70 (2006).

22 Qingyang Hewu, *Tracing the Causes of Owed Wages in the Construction Industry*, 2007, China Labour News Translations, http://www.ycwb.com/gdjsb/2007-09/04/content_1606084.htm, accessed 23 September 2008.

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press

Individual schools generally refused to report such donations in case the education bureau responded by reducing their allocations from central coffers. In the same county in the same year, we learned of a case of 13 private enterprises teaming up to give a total of 4 million yuan directly to 15 remotely located primary schools. The money was used to improve the buildings of three schools, to add libraries to seven and to add computer labs to six.

In other cases, businessmen make off-the-book donations to prestigious individual schools in order to enhance their individual connection to the school. They want such connections not only because they wish their own children or those of relatives to attend the school, but also so that in the future, if one of their government or business connections has a child who would like to enter that school, they will be able to do that connection a favour. The principal of a prestigious senior middle school in the county seat of a wealthy county told us that he is asked out to lunch by businessmen on a daily basis and that they usually make offers of donations during lunch without specifying anything they want in return. The principal of a good urban junior middle school in another county on the fringes of a large city told us how a businessman arranged for air-conditioners to be installed in all of his classrooms for free. More than a year later, the same businessman asked to have an out-of-district child admitted to the school. The child was the son of an official in a county where the businessman had an office.

Fees Paid by Student Households

The official statistics list the amount of tuition and miscellaneous fees (*xuezafei* 学杂费) collected by schools, but do not include a host of other charges that households have paid for their children's education over the years. Since the tax-for-fee reforms of 2002 these fees have been tightened considerably, and in 2007 even the tuition and miscellaneous fees were waived, at least in rural (but not urban) Shandong. Nevertheless, there are still fees collected that are not listed in the statistics, and historically their amount was quite large. According to Zhang Yulin, a professor of education specializing in school financing, during the 1990s rural households paid schools and township governments a total of more than 150 billion yuan in education fees above and beyond what was officially collected as tuition fees when their children showed up at the classroom door.[23] Some of the "fees" counted by Professor Zhang do include the rural portion of the dedicated education tax counted in the official statistics as part of the "government" appropriation for education. However, a significant portion of this 150 billion yuan was for various special fees that are not counted anywhere in the government statistics. Households in rural villages in three different counties told us that during the 1990s various special education levies (*tiliu* 提留) regularly

23 Yulin Zhang, "Cong shuzi kan jiaoyu bu gong," *Zhongguo gaige* (*China Reform*), Vol. 2004, No. 12 (2004), p. 23.

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press

exceeded the amount of the dedicated education tax, which in Shandong was limited to 1.5 per cent of the official, local average rural per capita income levels for most of the 1990s.

Even today, when most fees have been declared illegal, rural schools raise money illegally and informally for extras like computers by asking parents for "internet fees," "warm water fees," "exam sitting fees" and "winter heating fees," to list a few examples we came across in our fieldwork during 2008. Legally, schools can still charge for the room and board that rural students pay to live at boarding schools, which is common practice for junior and senior secondary students from rural areas, almost universal for tertiary students, and often occurs in some counties even for rural upper primary school students. In some cases school districts avoid paying for dormitory construction altogether by giving the responsibility for building dorms and then collecting fees from students to private enterprises. Fees for room and board, textbooks, educational supplies and extras like fieldtrips are not counted in the official statistics on educational spending.

Perhaps the most lucrative category of charges that households pay to schools are the "school selection fees" (*zexiaofei* 择校费) or "school support fees" (*zanzhufei*) that are charged to students who either want to enter a public school outside their assigned district or who wish to attend an elite public school that they would not have been able to enter based on their test scores alone. These charges are counted neither in the official statistics nor in Zhang Yulin's 150 billion yuan estimate of "extra" education fees. Though controversial, in Shandong they are still legal and regulated. They are most common and highest at the senior middle school level, though in many areas they exist at primary and junior middle schools as well. In Beijing, a junior middle school charged a migrant businessman a school selection fee of 120,000 yuan, while claiming that this was far from being the most expensive in Beijing.[24] An education official in Beijing told us that surveys suggest that nationwide approximately 10 per cent of upper secondary students have paid a school selection fee and that at elite urban upper secondary schools such fees had been paid by more than 25 per cent of the student body. If this figure is correct, and we take the fairly modest sum of 10,000 yuan as an average for upper secondary school selection fees, then the total amount collected in this manner by senior middle schools alone would have been 8.7 billion yuan in 2006.[25]

In Shandong, as across the nation, rules are set about fee levels, the allowable percentage of students paying such fees at a given school, the test scores of such students and the absolute number of such students at a given school. Regulations include the following examples.

24 Bin Li and Yang Xie, "Xiao sheng chu zexiaofei ling zha she: shei shi liyi qiantiao de shouyizhe," *Zhongguo qingnian bao* 14 October, 2008, accessed at http://www.jyb.com.cn/xwzx/jcjy/sxkd/t20081014_199868.htm.

25 In 2006 there were 8.7 million new upper secondary students in China. See *China Statistics Yearbook 2008*, p. 779.

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press

In Qingdao, students who are less than ten points below the entry score on the senior middle school entrance exam for a given school pay 10,000 yuan, those between ten and 20 points below the entry score pay 15,000 yuan and those between 20 and 30 points below pay 18,000 yuan. Students with exam scores more than 30 points below the entry score are not supposed to be admitted at all, but rumours abound of students with illegally low entry scores enrolling by paying illegally high fees.

In one rural county with average income levels for Shandong, the best senior middle school was not supposed to allow the number of school selection fee paying students to exceed 50 per cent of the student body.

Across the province, schools are not to increase the number of students paying school selection fees by reducing the number of places available to students who do not pay such fees. At any school that accepts school selection fees, the number of places for students who do not pay such fees must increase every year. In practice, this is done when county education bureaus set the cutoff scores on the senior middle entrance exams. After the exam, the education bureau calculates the number of students that will get into the senior middle schools without paying school selecting fees at a given entry score. Because Shandong is rapidly expanding enrolments at its top senior middle schools and closing the rest, it is possible for those top schools to increase the absolute number of non-fee-paying places slowly while at the same time drastically increasing both the number and percentage of students who do pay such fees.

School selection fee limits for various Shandong cities and prefectures during 2008 were: Jinan 18,000 yuan, Qingdao 18,000 yuan, Weihai 16,000 yuan, Zibo 15,000 yuan, Yantai 14,000 yuan, Binzhou 12,000 yuan, Dezhou, 12,000 yuan, Taian 12,000 yuan, Dongying 10,000 yuan, Weifang 10,000 yuan, Zaozhuang 9,000 yuan, Liaocheng 9,000 yuan, Rizhao 9,000 yuan, Laiwu 8,000 yuan, Jining 8,000 yuan, Hezi 4,000 yuan.

These regulations illustrate how high these fees are, the number of parents who are willing to pay them, the types of practices that used to go on during the 1980s and 1990s before the regulations were set, and the types of practices that occasionally still go on at schools desperate enough to violate regulations. They also suggest that the percentage of fee-paying students is higher in Shandong than the 10 per cent estimate given for the country as a whole by the Beijing education official. At several of the senior middle schools that we visited, 50 per cent or more of the student body had paid such fees. If we assume that 30 per cent of Shandong senior middle school students paid an average of 11,000 yuan in school selection fees, then the total amount paid in 2007 for this fee alone would have been 2.1 billion yuan – more than the entire amount listed under the "other" category for Shandong in the 2008 *Statistical Yearbook*.[26]

There is a final source of income from households that is counted in neither the official statistics nor in any of the above discussions. This comes from the special classes that senior middle schools run for graduates who were not satisfied with their university entrance exam scores and choose to resit the final year of senior middle school and retake the exam (*fudu ban* 复读班). We came across such classes at almost every senior middle school we visited in Shandong. In 2006 at one good senior middle school in a moderately wealthy county, there were 500 of these students in nine classes (out of a total of 2,800 students in 44 classes

26 New enrolments at Shandong senior middle schools numbered 645,455 in 2007. See Shandong sheng tongji ju (ed.), *Shandong Statistical Yearbook 2008* (Beijing: Zhongguo tongji chubanshe, 2008), p. 585. For the amounts in the "other" category see *China Statistics Yearbook 2008*, p. 802.

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press

of final-year students). In addition to the standard tuition fees of 900 yuan per semester, these students had paid a one-off re-entry fee of 6,000 yuan. At another senior middle school in a wealthy part of the province, re-entry fees for such classes were 10,000 yuan. At yet another school, the fees for these courses were negotiated privately and linked to the students' score on the previous year's university entrance exam. The school was less interested in low-scoring students because they threatened to lower the school's average score, but if they were willing to pay high enough fees they were admitted.

In 2008 the Shandong Province Education Bureau was trying to eliminate such classes from public secondary schools, but it is not yet clear how successful this policy will be. In any case, at least up to the present, Shandong senior middle schools have derived significant income from these classes.

Conclusion

This portrait of fees and government payments not counted in the official statistics is evidence that education funding in China is higher than previously believed. But while funding may be higher, the examples we give also affirm the conclusion of other researchers that it is extremely unequal.[27] Until the mid-2000s, rural households had to shoulder the costs of education directly in ways that urban households did not. Not only did they pay higher fees and taxes, but they also often contributed corvée labour to school construction projects, and their teachers sometimes worked for no payment. While recent policy changes have reduced what rural households pay for compulsory primary and junior middle education, a greater proportion of these households are now spending heavily on non-compulsory preschool, senior middle and university education. Moreover, many (but not all) of the routes of educational funding we have described disproportionately benefit elite schools or school districts with adequate levels of industrial development. Nevertheless, we have shown that the official statistics have underestimated by a considerable amount both the extent of investing in education by the government and that by society as a whole.

Our discussion also demonstrates the difficulties in ascertaining the ratio of government and non-government school funding. In some cases, especially that of loans which are unlikely to be fully repaid, it is not clear who will end up paying. In other cases, such as the dedicated education tax previously collected directly from rural households, or donations from government work units so that their employees' children may attend a certain school, it is not clear whether the funds should count as government or societal expenditures.

27 Rong Cai, Mingxing Liu and Ran Tao, "Education fee burden in rural China," *Hong Kong Journal of Social Sciences*, No. 30 (2006); Davis, Landry, Peng and Xiao, "Gendered pathways to rural schooling"; Fu, "Unequal primary education opportunity"; Kennedy, "From the tax-for-fee reform to the abolition of agricultural taxes"; Hui Li and Christine Wang, "Guest editors' introduction," *Chinese Education and Society*, Vol. 41, No. 2 (2008); Rong and Shi, "Inequality in Chinese education"; Murphy, "Paying for education in rural China"; Yang, "Pursuing harmony and fairness in education."

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press

It is difficult to keep statistics on monies spent on education because of both the vagaries of accounting in rural China in general and the fuzziness of the legal line that differentiates state and society. Whether rural households funding village schools were doing so as members of government collectives or as private individuals is a moot question. Moreover, in many rural areas, the historical relationships between township and village enterprises (nominally government owned) and today's seemingly private business groups (*jituan* 集团) are complex; the relationships between the leaders of business groups and local governments are often intimate, resulting in non-transparent tax and school funding deals. While one might imagine that local governments have an incentive to exaggerate the amounts they report on educational spending (in order to seem public-minded to their superiors), in many instances the opposite is true. Local governments underreport educational spending to hide some of their revenue sources from higher levels of government. In addition, school financing has historically been a matter of local governments grabbing whatever resources they could from whatever source they could, and successful school financing did not pay attention to which sectors were paying how much or even how much in total was collected.

The sources of school funding and targets for school expenditure have changed rapidly over the past 20 years. At least in Shandong, it would appear that the 2000s have seen a large, perhaps one-off, investment in educational infrastructure. Many new schools have been built and their facilities have generally reached first-world standards. As the birth control policy is causing school-age populations to decline, it may not be necessary to continue investing in infrastructure at current rates for too many more years. One possible consequence of a decline in infrastructural spending would be a reduction in the gap between actual spending and the amount of spending in the statistics. But that point has not yet been reached.

It is important to acknowledge the large amounts of money that have been spent on education in China because devotion to education is such a crucial aspect of Chinese government and society. Parents from all walks of life are willing to go to great lengths to see their children receive as good an education as possible[28]; the government legitimizes itself in terms of being able to raise the "quality" of the population (mostly by providing educational opportunities) and in terms of claims about the meritocratic exam successes of its leaders[29]; and the drive for educational success deeply affects the fertility ideals of Chinese women, ethnic relations between Han and minority ethnic groups, the shape of the labour markets and the Chinese economy, and indeed almost any other aspect of Chinese political, social and economic relationships.

28 Andrew B. Kipnis, "The disturbing educational discipline of 'peasants'," *The China Journal*, No. 46 (2001); Andrew B. Kipnis, "Education and the governing of child-centred relatedness," in Susanne Brandtstadter and Goncalo D. Santos (eds.), *Chinese Kinship: Contemporary Anthropological Perspectives* (London: Routledge, 2008).

29 Andrew B. Kipnis, "Suzhi: a keyword approach," *The China Quarterly*, No. 186 (2006); Andrew B. Kipnis, "Neoliberalism reified: suzhi discourse and tropes of neoliberalism in the PRC," *Journal of the Royal Anthropological Institute*, Vol. 13, No. 2 (2007).

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press

The importance of education in Chinese society means that many local governments have pressed hard to fund it, squeezing resources from their meagre tax revenues, their own employees, banks, villagers, teachers, local enterprises and anywhere else they could think of. Good schools are popular with local cadres for many reasons. Their building is a visible "political accomplishment" (*zhengji* 政绩) that is often formally noticed in cadre assessment exercises. The children of rural cadres and their relatives also attend local schools, and cadres, like everyone else, are eager to provide their children with educational opportunities. Expanding educational opportunities also raises the legitimacy of local governments in the public's eye and reduces the chances of popular unrest. While funding schools locally has rarely been fair, the simultaneous governmental/societal desire for good schools has often resulted in considerable investment in schools. Seeing both the extent of the investment that has occurred and the inequality of its distribution is necessary to understanding the broader relationships between education and social change in contemporary China.

https://doi.org/10.1017/S0305741010000263 Published online by Cambridge University Press