



Has the compulsory school merger program reduced the welfare of rural residents in China?



Weixian Cai, Gong Chen, Feng Zhu*

Department of Public Economics, School of Economics, Xiamen University, Xiamen, Fujian, PR China

ARTICLE INFO

JEL classification:

C23
D12
I28

Keywords:

Compulsory school merger program
Rural residents' consumption
Precautionary saving

ABSTRACT

The compulsory school merger program in rural regions of China imposed higher education costs on rural residents, decreased their consumption and reduced their welfare. In this study, we employ household-level data and the difference-in-differences method to analyze the policy effect on residents' consumption and education costs. Our results show that the compulsory school merger program had a negative effect on the consumption of rural residents and inflicted multiple education costs on them. We also find that the increase in the distance between school and home is an important explanation for the effect of this policy on rural residents' education costs.

1. Introduction

In recent years, there has been a heated discussion about the welfare of rural residents, especially as regards rural residents' consumption. Since 2000, China's household consumption has experienced a continuous state of malaise, with the household consumption rate fluctuating around 50% and dropping to below 50% during 2007–2012 (Fig. 1). Moreover, although the per capita consumption expenditure of urban and rural Chinese households experienced considerable growth, there was a significant disparity between urban and rural household consumption, and this disparity did not experience a declining trend (Fig. 1). Thus, it is extremely important to encourage the household to consume larger a part of its income and increase rural household consumption to promote healthy and sustained growth in China's economy.

Which factors drove the downturn in the consumption of rural residents in China? Precautionary saving theory is an appropriate explanation because of the uncertainty caused by the rapidly developing economy and social transformation (Zhu & Luo, 2011). Sun (2001) points out that the uncertainty of expenditure is another reason that leads to precautionary saving besides income uncertainty. Li and Wen (2005) show that the uncertainty of expenditure on medicine, education, and pensions leads to precautionary saving by residents in China. Hang and Shen (2005) show that increases in medicine and education expenditure have a more negative impact than does a decrease in the price of an agriculture product.

Scholarly discussion on the effect of education expenditure uncertainty (or the education burden) on consumption is scarce. Lee (2005) uses household survey data in Korea and finds that households with a high burden of private educational expenditure adjust general household expenditure and reduce consumption. Yang and Chen (2009) discuss the effect of higher education reform on residents' consumption, finding that the rising education burden after the reform reduced consumption. These findings offer evidence that a rising education burden reduces household consumption.

According to existing studies, we wonder if the uncertainty brought about by systematic education reforms, especially related to basic education, plays a crucial role in the problem of rural household consumption. For China's rural residents who lack avenues to

* Corresponding author.

E-mail address: zhufeng@stu.xmu.edu.cn (F. Zhu).

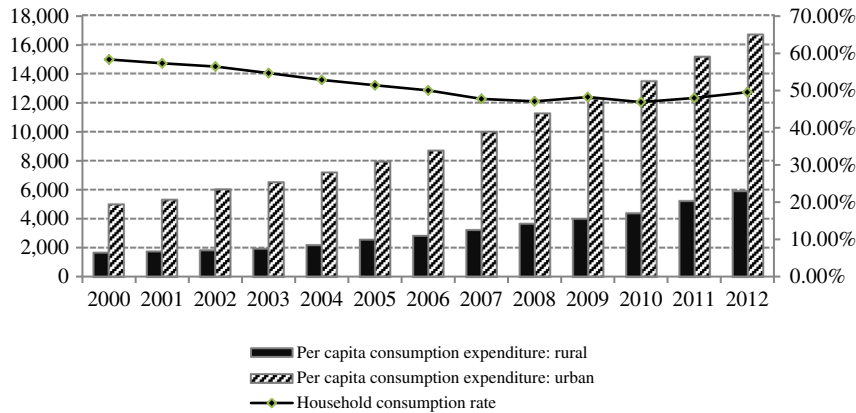


Fig. 1. Chinese household consumption rates, state of urban and rural household consumption.

Data source: Based on data from the China Statistical Yearbook.

social mobility, providing their children with access to better education serves as the only means of overcoming poverty and increasing social status. Basic education, as the key factor to this process, receives high level of attention from China's rural households. Since 2000, China's basic education policies have undergone a series of significant reforms; of these, the rural primary and secondary school structural adjustment program (referred to as the "Rural Compulsory School Merger Program") was the greatest in terms of scale and has had the most profound impact on rural households.

Some studies coming from Chinese academics and research institutions point out that the program increased the economic, physical, and psychological burdens of rural households (Fan & Guo, 2009; Pang, 2006; Si & Guo, 2013; Ye, Lu, & Meng, 2009; Ye, 2012). Some comprehensive surveys from research institutions show that in the course of implementing the program, many local governments used simple and crude methods, driving a significant increase in the economic burden of rural households (21st Century Education Research Institute, 2014). Liu and Xing (2016) discover that in rural communities, the abolition of primary schools caused an increase in the likelihood of rural residents migrating from their communities.

We found that many scholars have proven that the rural compulsory school merging has increased the economic burden for rural households. China's rural household consumption is more significantly affected by traditional culture, and here consumer psychology is characterized as being exceedingly stable (Zhu & Luo, 2011). This consumer psychology will lead to low consumption expectation for rural households and make them decrease their current consumption. We used microeconomic data to verify this and found that rural compulsory school merging surely increased rural residents' education cost while decreasing their consumption per capita and consumption rate. We also found that the increase in distance between the school and home can explain the increasing education cost.

The remainder of the paper is structured as follows. Section 2 introduces the history of the compulsory school merger program and analyzes the mechanism of the effect of the policy on rural households' consumption. Section 3 uses microeconomic survey data to conduct an analysis on the paths by which the program affects rural household consumption and education expenditure. Section 4 tackles the impact of the program on rural household consumption by analyzing the mechanisms through which the policy exerts these effects. Lastly, based on our empirical results, we present a conclusion and offer appropriate policy recommendations in Section 5.

2. Brief review of the compulsory school merger program

The compulsory school merger program refers to the education policy whereby several primary and secondary schools in rural areas were abolished, and rural primary and secondary students were grouped together to attend a fewer number of centralized schools. In the 1990s, the existing decentralized education mode was no longer suitable because of the decreasing number of school-aged students. Each level of government favored the policy of using centralized schooling to improve educational quality and began dismantling primary and secondary schools within their jurisdictions. Given China's vigorous promotion of compulsory education in poor areas, the structural readjustment of rural primary and secondary schools has become a priority for central and local governments. China's State Council's 2001 "Decision on Basic Education Reform and Development" (hereafter, "the decision") promulgated the "Rural Compulsory School Layout Adjustment" into a policy implemented nationwide.

The program has had an extremely large impact on the number of rural primary and secondary schools, especially primary schools. We can see from Fig. 2 that, excepting 2001 and between 2002 and 2012, among the decrease in primary schools nationwide, the decrease in rural primary schools was the largest, with the reduction exceeding that in all other primary schools nationwide. This triggered an increasing trend in the average number of students in primary schools in China.

Overall, the program did indeed achieve its goal of enhancing the quality of education in rural primary schools, with some on-site surveys confirming that the quality of basic rural education improved after its implementation. The results of some empirical studies have supported this view. For example, the results of Liu, Zhang, Luo, Rozelle, and Loyalka (2010) reveal that, in general, the compulsory school merger program resulted in a significant positive impact on the grades of students at higher grade levels (e.g., after the fourth grade). The results of the empirical study conducted by Mo et al. (2012) show that owing to the improvement in teachers'

Download English Version:

<https://daneshyari.com/en/article/5047163>

Download Persian Version:

<https://daneshyari.com/article/5047163>

[Daneshyari.com](https://daneshyari.com)