



The effects of tuition reforms on school enrollment in rural China[☆]



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ABSTRACT

We estimate the effects of three sequential reforms undertaken between 2000 and 2006 on school enrollment for poor, rural families in China. Using difference-in-difference approaches and sample children from the China Health and Nutrition Survey 2000, 2004, and 2006 waves, we find that tuition control has had a minimal effect on primary and junior high school enrollment. Furthermore, a policy that includes tuition waivers, free textbooks, and living expense subsidies starting from 2003 had a significantly positive effect on school enrollment of rural girls, but not rural boys. This gender differential effect results from the improvement in the enrollment of girls who live in poor households. Finally, the provision for tuition waive for all rural children since 2006, although having no statistically significant effect on the overall enrollment, indeed improved the enrollment of children who were less likely to have enjoyed two-waiver-one-subsidy.

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1. Introduction

This paper investigates the effects of three tuition reform initiatives aimed at lessening the financial burden of providing education for primary and junior high school-aged children from poor Chinese families. These three reforms were (i) tuition control, (ii) tuition waivers, free textbooks, and living stipends for children from poor families, and finally, (iii) tuition waivers for all other rural

families. We studied whether these policy initiatives improved the school enrollment rates of the target population using data from the 2000, 2004, and 2006 waves of the China Health and Nutrition Survey (CHNS, hereafter).¹

Two policy initiatives started in the early 1980s have had a profound and lasting effect on rural Chinese students' enrollment.² First, an ambitious nine-year compulsory attendance law was passed in 1986, placing access to basic education a top national priority. The law encourages enterprises, administrative bodies, and local communities to establish schools, which has greatly

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¹ A more direct measure of outcome is whether these policies changed household education expenditures. However, this information was not offered by the CHNS until 2006, when most of the policy initiatives were implemented throughout rural China.

² Hannum, Behrman, Wang, and Liu (2008) and Hannum, Kong, and Zhang (2008) provide a complete review of educational policy changes during the reform era.

expanded access to education in less-developed regions through locally operated schools (Tsang, 2000).³ Nationally, the enrollment rate of school-aged children increased from 96.0% in 1985 to 99.1% in 2001, at the dawn of the tuition reforms discussed in this study, and the progression rate of primary school students increased from 68.4% to 94.9% over the same time period.

Second, although during the latter years of the Cultural Revolution, rural children were able to attend primary school at no cost (Han, 2001), education reforms since 1985 have allowed both local governments and schools to transfer the financial burden of education from public entities to private households by charging fees (Tsang, 1996). At the national level, the percentage of total expenditures represented by tuition and miscellaneous fees increased from 4.42% in 1991 to 18.59% in 2004, a total increase of more than three-fold (Hannum, Behrman, et al., 2008; Hannum, Kong, et al., 2008). In poor, rural areas in particular, financial stress has become a significant deterrent to obtaining education since the market reform (Brown & Park, 2002; Connelly & Zheng, 2007; Zhao & Glewwe, 2010). In 1992, Hossain (1997) reported that the poorest quintile of households in China spent 14.2% of annual income on education and 9.7% of annual income on basic and secondary education. In 1997, Park and Wang (2000) found that 12% percent of informal loans to household were used to pay school fees. In 2001, at the dawn of tuition reforms, an average rural household was expected to spend 5.2% and 6.9% of total household income on primary and junior-high schools, respectively (Bureau of Statistics of Hunan, 2001).

A direct result of sharply increased educational cost is dropout. Although enrollment rates were high in the early 2000s, the completion rates for elementary and junior-high schools were only 89% and 76%, respectively (Shen & Wang, 2003). Inner, and generally poorer, provinces showed even lower performance. For example, the promotion rate of primary school graduates in Guizhou was only 78.7% (*China Education Yearbook 2002*).

Providing affordable education at the primary and junior high school levels has become an important goal of the tuition policies in present-day China. Between 2001 and 2006, three reforms were implemented sequentially by the Ministry of Education and provincial governments, aiming at reducing the cost of education for poor, rural families. In 2001, the Ministry of Education declared that the tuition of primary school students in rural areas should not exceed 160 CHY (approximately US\$23.5) per student per year, and that of junior high school students in rural areas was set to 260 CHY (approximately US\$38.2). Moreover, schools were not allowed to charge any fees other than the regulated tuition, which was allowed to float by as much as 20% of the regulated levels. This policy (tuition control, hereafter) was first applied to poor counties

across the country and was then expanded to the entire nation by the spring of 2005.

In 2003, Liaoning Province first started to provide an education subsidy package that included tuition waivers, free textbooks, and a living stipend for its poor students.⁴ By the spring of 2006, this policy initiative (two-waivers-one-subsidy, hereafter) had been expanded to all poor students in China. Finally, in the spring of 2006, the Chinese central government provided a tuition waiver for all primary and junior high school students in rural areas of western provinces (tuition waiver, hereafter). Two eastern provinces, Jiangsu and Liaoning, and two cities in central China also implemented a tuition waiver by themselves before the start of the fall semester of 2006.

These reforms are important. Using data from the *China Population Statistics Yearbook 2002*, we estimate that in 2001, approximately 216 million children in China were potentially affected by these policies.⁵ Although we do not know the total cost of these policies, the official news paper of the Ministry of Education, *China Education Daily*, estimated an expenditure of 36.1 billion CHY (approximately 5.3 billion U.S. dollars) in Western China in 2006 (February 28, 2007). However, the effects of the three reforms are unclear. This study fills this gap by exploring the effects of these policies on the enrollment rates of the targeted school-aged children.

We used a difference-in-difference method to estimate the effects of these new initiatives. The reforms followed a certain order, with tuition control typically being the first to be implemented, followed by the two-waivers-one-subsidy, and finally, the tuition waiver.⁶ These reforms were generally initiated in rural and poorer counties within a province and were then extended to other counties and cities. Hence, we can use the variation in the timing of the three reforms on tuition in different counties within various Chinese provinces to identify the policy effects on enrollment rates. To the best of our knowledge, the variation in the timing of policy implementation across provinces is determined by two factors: (1) The central government covers 80% of the funding in the western provinces (including Guizhou and Guangxi, two of the CHNS provinces). This ratio is 60% in the central provinces, which covers Hunan, Hubei, Henan, and Heilongjiang in our CHNS sample. In the eastern provinces, this ratio varies according to each individual province. (2) If richer provinces can afford these policies, they will implement the policies by themselves. For example, the Ministry of

³ This is especially important because the shut-downs of low-quality rural schools in the early 1980s slowed the continued increase in the enrollment rate that dated back to 1949 (Hannum, Behrman, et al., 2008; Hannum, Kong, et al., 2008).

⁴ The government first determined the number of students who were eligible to receive the package and then assigned various quotas to primary and junior high schools. To a large degree, the teachers in the primary and junior high schools, who had significantly more information on the economic status of their students, decided which students were poor and should receive the package.

⁵ This estimate is calculated according to the number of children whose ages were between 5 and 14 in 2000. The same estimate decreased to 162 million in 2006. The data for 2000 are from the population census of 2000, whereas the data for 2006 are from the 2006 National Sample Survey on Population Changes (*China Population and Employment Statistics Yearbook 2007*).

⁶ The only exception is Liaoning, where the two-waivers-one-subsidy was implemented before tuition control.

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