



The poverty trap of education: Education–poverty connections in Western China



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ABSTRACT

Traditional studies of development and education focus either on the benefits of education for lifting the poor out of poverty, or on the vicious circle created when poor cannot afford education. This paper adds to the traditional view by also focusing on the poverty trap that is created for families that invest heavily in education without obtaining returns. It offers another perspective on the new education–poverty trap, with the burden of educational costs as cause of poverty and deprivation for low- and middle-income families. Data from a large-scale survey of the Western regions of China shows that the cost of higher education is far beyond low- and middle-income families' affordability. Chinese households face a dilemma: borrowing money to educate a child or avoiding debt but foregoing education and mobility. While already acknowledged as a major social problem in China, the new poverty–education connection has so far received relatively little scholarly attention.

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1. Introduction

During the past decades of rapid economic growth, Chinese education policies are also undergoing important reforms. The main aim of the education reform is to provide free basic education (or nine-year compulsory education) for all children. It has been an important means to achieve the Communist Party's goal of building a “harmonious society” as well as an aim in itself (People's daily, 2007). Despite the tuition fee exemption for basic education, the low quality of basic education in poor rural area, the extra fees and costs in schools with better quality, and the high cost of higher education still threaten the educational attainment for poor children.

Tuition fees were exempt for compulsory basic education in 2007 in China. However, the issue of high education costs and high dropouts among poor students are far from solved. Recent literatures discuss the high dropping out despite the free basic education after *liangmianyibu*¹ (Chang, 2010; Chen, 2010; Moxley, 2010; Wu, 2012; Yi et al., 2012). Indirect costs of education, such as boarding or transportation can still be household liquidity

constraint for educational attainment of poor students (Yi et al., 2012). The education cost discussed in this paper is not limited to the tuition costs, but any costs related to education, such as costs for uniforms, books, extracurricular courses, school boarding, school selection fee and school support fee and so on.

Many studies have found that the exemption of fees and costs will not fundamentally solve the problems of high dropout among the poor students in competitive educational systems (with limited school places and quality based entrance test) (Glewwe and Kremer, 2006). The low quality of the free basic education provided in the poor area and low expectations of enrollment in higher education discourage the students from poor families (Rumberger and Lim, 2008; Chung and Mason, 2012).

The free basic education in poor areas in China generally provides low education quality due to the poor public sources available, which witnesses significantly high dropouts in basic education and low enrollment of poor rural children in higher education (Chung and Mason, 2012; Wang et al., 2011b; World Bank, 2001). Poor families cannot afford to send children to private preschools (Luo et al., 2010) and basic schools with high education quality (Wang et al., 2011a), both of which are expensive. Studies also demonstrate that the real impediments keeping the poor from higher education arise as early as during preschool and basic school years and present at all levels of education (Wang et al., 2011a,b). These facts indicate that the cost of education is still important hurdle to both basic and higher level educational attainment for poor children in China, especially when the quality

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¹ Two exemptions and one subsidy, which waive tuition and textbook fees for compulsory education, and provide subsidies to students studying in boarding schools.

of education is concerned (Xinhua, 2013; Zhong, 2013). Moreover, tuition fee and other costs related with high school and college education have increased and have remained high since late 1990s (OECD, 2013; Li and Liu, 2013). Therefore, even though carried out in 2004–2005, the survey data used in this paper still provides a chance to illustrate the effect of educational cost on Chinese families from disadvantaged social backgrounds.

The high educational cost not only results in a lower access to educational attainment among poor families, but also a long-term burden on the low-income families who devote everything to children's education. Unfortunately, the graduates from poor families are disadvantaged in the urban labor market (Li and Zhang, 2010; Li et al., 2012; Zhang, 2013); therefore many families cannot pay back the debt from education investment as expected and find themselves in deeper poverty.

There are two types of education related poverty traps in China: First, the traditional one in which poor education leads to poor labor market outcomes which again reproduces poor education; and second, the new one in which the high cost of education itself propels families into poverty. Most studies on the education–poverty trap have focused on the adverse effects of poverty on children's education, or on the positive role of education in terms of social mobility (Barham et al., 1995; Wu et al., 2008). This paper offers an empirical perspective on the new education–poverty trap by looking at the burden of education costs as a cause of poverty among Chinese families. While the traditional poverty trap with adverse effect of poverty on education has been well-known, the new role of education as a cause of poverty should attract more attention in academic research and policy formulation in China. This paper addresses both poverty traps that coexist in contemporary China.

Section 2 introduces education policy in China, educational cost in basic and higher education, and the barriers to educational attainment for children from poor families. Section 3 illustrates the education–poverty trap from different angles, and identifies four groups of families as target groups for discussion. Section 4 briefly describes the data used in this paper and methodology applied. Based on the findings from the survey data, Section 5 first illustrates the education-related costs and disparities in education costs among different social groups and educational levels. This section continues to address both the traditional poverty trap and the new poverty trap by examining low enrollment and completion rates of poor students at different levels of education, and the effects of educational costs on deepening poverty and social inequality. Finally, it applies a multinomial logistic regression to demonstrate different factors that have led to low-income families into different poverty traps. The conclusion discusses the mechanisms of families' decisions on education investment and the outcome of such decisions. The resulting two types of education–poverty traps are discussed.

2. Institutional background

2.1. Public policy, poverty, and education in China

On 12 April 1986, the Sixth National People's Congress adopted the "Law on Nine-Year Compulsory Education" (中华人民共和国义务教育法). The Law came into effect on 1 July 1986, and stipulated that all levels of government must

² Compulsory basic education consists of primary education (6 years) and regular junior secondary education (3 years), therefore also known as 9-year compulsory basic education. After the compulsory basic education, the regular senior secondary education is an academic three-year secondary school before tertiary education. The technical school in this paper includes technical or professional junior or senior secondary education. Tertiary education includes college, university, graduate, and post-graduate study.

provide free and compulsory basic education² for all school-age children in China. Despite the law, it remained difficult for many Chinese to afford education for their children. Since the early 1990s, the Chinese Central Government has tried to raise government education expenditures to 4% of GDP.³ Nevertheless, the proportion of China's public expenditures on education stood between 2.3 and 2.8% of GDP from 1992 to 2005. Inadequate public education expenditures have long been cited as one of the main reasons for the inequality in educational funding and for the high private cost of education in China (Tsang, 1994; Rong and Shi, 2001; Brown and Park, 2002; Yang, 2007).

Much of the reason for this can be found in China's highly decentralized fiscal system. After the introduction of market reforms, China's government struggled to pay for social goods and the Central Government decided to adopt a policy of decentralization of fiscal responsibility whereby local governments were responsible for generating their own income (Su and Zhao, 2004). The fiscal burden for local governments in poor, rural areas contributed to widening disparities in education expenditures between different regions in China. Moreover, it led local governments to introduce numerous fees on rural households in order to generate income, including education fees (Demery, 1996; Tsang, 1996; Li et al., 2002; Fu, 2005; Tsang, 2005).

In order to abolish excessive local taxes and fees, Tax-for-Fee Reform (TFR), enacted in 2002, was a re-centralization reform aimed at shifting the administrative responsibility for rural compulsory basic education from the village and township level to the county level. The aim of the reform was to transfer funding from the county and establish a more balanced intergovernmental fiscal relationship (Lin et al., 2007; Zhao, 2009). However, the funding transfers were quite slow and uneven between urban and rural districts and across regions (Xiang and Yuan, 2004; Fu, 2005; Wang and Zhao, 2010). The regional disparities in education funding were not alleviated and in some areas even exacerbated (Kennedy, 2007; Wang and Zhao, 2010). Kennedy (2007) reported a sharp decline in educational and medical services in poorer areas after TFR.

2.2. Exempted tuition fees for compulsory basic education and current barriers to educational attainment⁴

On 29 June 2006, the National People's Congress (NPC) Standing Committee adopted a new Law on Compulsory Education, which took effect on 1 September 2006.⁵ For compulsory basic education, all 150 million rural students have been exempt from paying tuition and incidental fees since the spring of 2007, and all 28 million urban students have been exempt from tuition and incidental fees since 1 September 2008 (Chinadaily, 2006). Different projects were also carried out to implement free compulsory basic education, especially in Western China.⁶ Following the new law, the Chinese government increased the investment in compulsory basic education (Table 1). The private share of primary school expenditure has been reduced from 7.5% in 2005 to only 1.8% of total expenditures in 2010; while the private share of middle school tuition has decreased from 14.9% in 2005 to 9.9% in 2010.

However, the officially implemented "free" nine-year compulsory basic education since 2008 has not fundamentally solved the

³ Chinese Education Reform and Development Guidelines, published by the Chinese Government and State Council in 1993.

⁴ Also known as 9-year compulsory education.

⁵ Central government of the people's republic of China, 30 June 2006, "Compulsory Education Law of the People's Republic of China", http://www.gov.cn/flfg/2006-06/30/content_323302.htm, downloaded on 10 December 2010.

⁶ For example, Gansu projects <http://www.worldbank.org/en/news/2010/09/24/china-basic-education-western-areas-project>.

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