



Changes in Chinese higher education: Financial trends in China, Hong Kong and Taiwan



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ABSTRACT

The cost of higher education (HE) continues to grow at an unsustainable rate in many country contexts, including in East Asia. With recent and projected HE growth in this region, HE administrators are increasingly faced with how best to provide cost-effective delivery while at the same time addressing how to meet workforce demands of increased quality, accountability, and international standards of excellence. In this article, we examine good and best practices of HE finance models in China, Hong Kong, and Taiwan. A primary objective of this article is to highlight a select number of exemplary models of HE financing that can reduce or at least help level off this unsustainable trend. We conclude with recommendations to assist policy makers, government planners, and HE administrators in their attempts to meet the financial challenges of today and in the future.

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1. Higher education funding challenges in China, Hong Kong and Taiwan¹

In the past few decades, the term “globalization” has gained popularity in shaping the academic discourse (Fukuyama, 1992; Giddens, 1990; Robertson, 1992; Sklair, 2002; Zajda and Rust, 2016), especially when researchers and policy analysts critically examine rapid social, economic, political, and cultural changes taking place in Asia due to the growing influence of the increasingly globalized economy. As McNally rightly (2001) argued, “no country is immune from the globalization process and/or its impact” (p. 96); accordingly, the overwhelming trend of globalization has significantly changed the economic, political, commercial, and educational facets around the world (Albrow, 1996; Bauman, 1998; Beck, 1992; Giddens, 1990, 2002; Gray, 1998; Hawkins, 2007; Robertson, 1992; Sklair, 2002; Yang, 2005). In order to address the changing socioeconomic and labor market needs resulting from the rise of the knowledge-based economy, a growing number of Asian countries have made serious attempts to

increase the higher education (HE) learning opportunities through developing not only publicly-funded but also privately-run-and-funded higher education institutions (HEIs) (Mok and Wu, 2016). Hence, the rapid expansion in HE has inevitably transformed the HE sector from an elite to a mass system across different parts of the Asia Pacific region (Mok and Jiang, 2017a; Marginson, 2016).

When examining the major development trends of HE in East Asia and the Greater China region (including societies from China, Hong Kong, and Taiwan), it is not difficult to identify significant changes in HE governance. According to Mok (2010, p.8), these changes include

- The quest for world-class university and the stratification of universities;
- The increase in private funding sources and intensifying inequality in education;
- The tension between internationalization and preservation of local and regional uniqueness;
- The massification of HE and assurance of academic quality;
- The corporatization of universities and the impact on academic freedom; and
- The marketization of HE and the potential threat to less market-driven disciplines.

Correspondingly, as a result of globalization and privatization of HE, many Asian states are caught in a dilemma of treating HE as a

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¹ In this article, “China” refers to the “Mainland China,” which means the geopolitical area of China excluding the Special Administrative Regions of Hong Kong and Macau, as well as Taiwan.

“public good” versus a “private good,” and many governments have adopted policies that favor private HE more out of compulsion than any strong conviction (Collins et al., 2016). Therefore, we can easily find competing messages regarding the nature of private HE whether it favors “privatization but not commercialization,” “private participation but not privatization,” or “public-private partnership” (Tilak, 2006, p. 120). The present article sets out against the wider policy context briefly outlined above to examine innovative financial models from comparative and international contexts that support optimal HE learning outcomes in China, Hong Kong, and Taiwan.

1.1. Overview of HE financing in China

Since the foundation of the People's Republic of China in 1949, its HE system has been dominated by the public HEs. A minority of public HEs are administrated by the [China Ministry of Education \(CMOE\)](#) or other ministries or commissions within the central government, and most are under the administration of provincial or municipal governments. As of 30 May 2016, China had a total of 2879 HEs, among which 2137 were public. The private HE sector contained 469 *minban* (people-run) HEs, 266 independent colleges, and seven Chinese-foreign cooperative HEs² (CMOE, 2016a). Public HEs in China are widely considered the most prestigious and generally provide the highest quality learning outcomes for graduates (Li and Morgan, 2011; Wang, 2014). In the wake of the tremendous HE expansion since 1998, China experienced a dramatic increase of enrollment, and currently has the largest number of HE enrollment in the world. As of 2015, 41.40 million students were studying in various types of HE programs and institutions, and the gross enrollment rate reached 40.0% of the eligible-age cohort from ages 18 to 22 (CMOE, 2016b,c).³

Roughly 88 universities were recognized by the central government in 1978 as national key universities. These institutions played a significant role historically and continue their prominence today buoyed by substantial policy-based preferential support from central and local governments. In the 1990s, the Chinese government implemented “Project 211” and “Project 985” to facilitate the development of national high-level and world-class universities, many of which included the national key universities. Currently, there are 122 “211” universities and 39 “985” universities. Chinese leaders promoted additional HE reforms through the “2011 Plan” to encourage greater coordinated innovation among HEs. This project has since become an integral part of the efforts of the government to build several world-class universities (Chen et al., 2012; Li, 2011). In 2012, 100 HEs were selected into the “Basic Ability Construction Project of HEs in Western and Central China” and 14 into the “Comprehensive Ability Enhancement Project of HEs in Western and Central China” to promote HE development in Western and Central China.

Among the most prominent trends at the forefront of Chinese HE is the government's effort to internationalize its domestic HEs. International cooperation efforts are generally encouraged by the government. In 2003, the State Council of China promulgated the [Regulations of the People's Republic of China on Chinese-Foreign Cooperation in Running Schools](#) to standardize Chinese-foreign cooperation in HEs, strengthen international exchanges, and establish greater collaboration opportunities in the field of

education. Among the cooperation opportunities now available include establishing Chinese-foreign cooperative organizations and programs.⁴ As of 28 September 2016, there were 68 undergraduate-level and 33 graduate-level Chinese-foreign cooperative organizations, and 914 undergraduate and 206 graduate-level cooperative programs (CMOE, 2016d). Among the Chinese-foreign cooperative organizations, there are seven HEs with independent legal status recognized by the CMOE: University of Nottingham Ningbo China; Beijing Normal University-Hong Kong Baptist University United International College; Xi'an Jiaotong-Liverpool University; New York University Shanghai; Duke Kunshan University; Wenzhou-Kean University; and the Chinese University of Hong Kong, Shenzhen (CMOE, 2016a).

Governmental expenditure on education as a percentage of GDP maintained a modest increase from the mid-1990s to 2012, when a 4% expenditure of GDP goal was achieved. Roughly 20% of the total education expenditure budget has been devoted to HE since 1999 (see Table 1).

From 1949 to the early 1980s, all Chinese HEs were entirely funded by the central government. After the implementation of the *Reform and Opening-Up Policy* in 1978, gradual market-oriented fiscal reforms began and eventually had an impact on HE. Provincial governments were granted more flexibility in raising and managing public expenditures, including those directly related to HE. This trend impacted the HE sector and resulted in the government's *Decision of the CCP Central Committee on the Reform of the Educational Structure* in 1985, which foreshadowed that some neoliberal principles would eventually be applied in the Chinese HE system (Wang, 2014). This market influence has led to significant reforms in HE (Jacob, 2004).

First, HE funding streams have become much more diversified. Public HEs have shifted from sole dependence on government funding to other sources, including donations, tuition, miscellaneous fees, and auxiliary revenues. Table 2 and Fig. 1 show that from 1995 to 2013, the percent of governmental appropriations to Chinese HEs decreased and reached the lowest point in 2005, while during the same period the tuition and miscellaneous fees percentage increased from 15.2% to a peak of 33.9% in 2008.

During the last decade, this trend was reversed, in that government appropriations increased while tuition and other fees were consistently lowered. One major reason for this HE financing shift is the increased government expenditure on *minban* HEs.

The second significant transformation is the rapid development of the private HE sector, including *minban* HEs and independent colleges. *Minban* HEs constitute the main body of the private HE sector and have experienced a rapid development since the Chinese government implemented the *Non-State Education Promotion Law of the People's Republic of China* in 2002. *Minban* HEs are owned and operated by civil society organizations, individuals, or other private organizations, and their funding usually comes from non-state financial aid, including tuition, fees, and donations (Standing Committee of the National People's Congress, 2002).

Independent colleges are essentially *minban* HEs; however, they have unique funding and management models that are different from normal *minban* HEs. Since the 1990s, and in the wake of the vast HE expansion nationwide, public HEs began to

² Chinese-foreign cooperative HEs include universities and colleges operated cooperatively by HEs in Mainland China and Hong Kong.

³ HE enrollment includes graduate and undergraduate students studying in regular and adult HEs, as well as students enrolled in other formal HE programs (e.g., master's programs for on-the-job personnel and web-based undergraduate programs).

⁴ “Chinese-foreign cooperative organizations” refer to the educational organizations cooperatively run by Chinese and foreign HEs (including HEs in Hong Kong and Macau). These organizations can be independent HEs with legal status, which are called “Chinese-foreign cooperative HEs” in this article. They also can attach to parent institutions without independent legal status. “Chinese-foreign cooperative programs” refer to the cooperative educational and teaching activities between Chinese and foreign HEs (including HEs in Hong Kong and Macau) without establishing formal education institutions. These programs mainly aim to enroll Chinese citizens.

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