

Higher Education Stratification in China

Po YANG

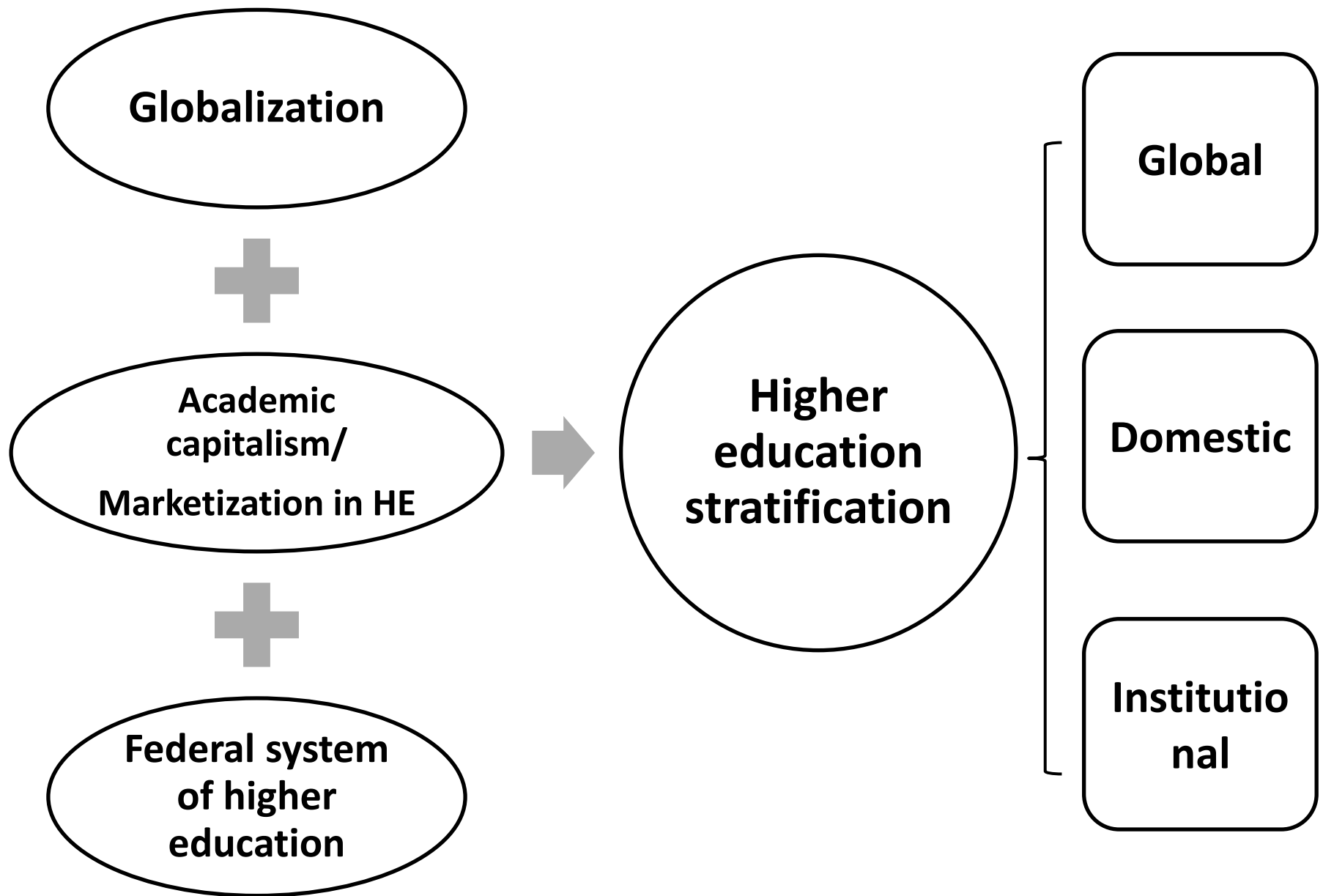
Peking University

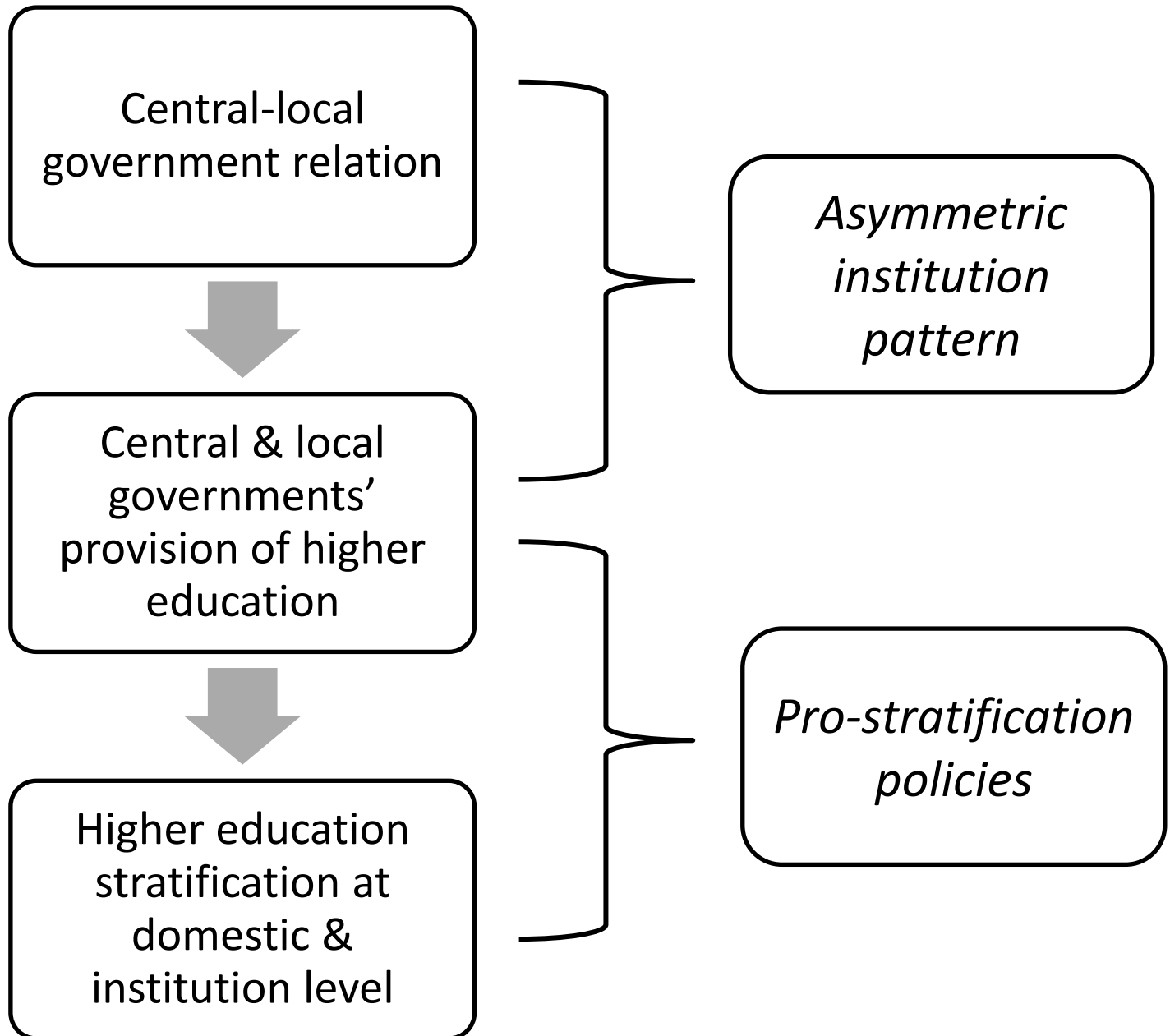
June 16, 2015

Outline

- Existing analytical frameworks
- Federal system of higher education in China
- Empirical evidence of stratification
- Conclusion

Summary of whole presentation in two charts





Part I: Existing analytical framework

Marginson revisit

- Marginson (2013) “Universal Higher Education in the Global Era”
 - Economic demand is NOT sufficient to explain the overall expansion
 - **High participation will come along with stratification**
 - Globalization fosters WCUs, while exacerbating stratification within national systems
 - Globalization also exacerbates stratification between systems as only some nations can support WCUs
 - *Bifurcated systems—rising elite WCUs coupled with mass institutions in throes of a worsening crisis of quality*

Marginson revisit

- Marginson (2013) “Universal Higher Education in the Global Era”
 - **Marketization and especially competition manage unequal outcomes and legitimate stratification between institutions**
 - Marketization facilitates state retreat from direct economic responsibility for social outcomes
 - Marketization places downward pressure on public good functions

Implication of Marginson's work

- Three levels of stratification
 - Global level
 - Competition of global research universities (Altbach, 2009; Brendan Cantwell & Barrett J. Taylor ,2013; Marginson, 2010)
 - Domestic level
 - Institution hierarchy (Cantwell & Taylor ,2013)
 - *Bifurcated system*: Research-intensive vs. mass higher education institution (Marginson, 2013)
 - Institution level
 - R&D vs. humanities (Barrett J. Taylor, Brendan Cantwell, Sheila Slaughter, 2013)

Inter-institutional stratification is a hierarchical differentiation among universities both globally and nationally (Cantwell & Taylor, 2013)

Extension of Marginson's work

- Driving forces of stratification
 - **Globalization and ranking** (Marginson, 2013; Altbach, 2009)
 - **Academic capitalism and marketization of higher education** (Cantwell & Taylor, 2013; Taylor, Cantwell, Slaughter, 2013; Slaughter & Cantwell, 2012; Slaughter & Rhoades, 2004)

Extension of Marginson's work

Puzzle: Extent of and mechanisms of stratification (structural, financial, regulatory, etc.) vary by country (Marginson, 2013)

- Question
 - Why do different countries response differently?
- The missing link in existing discussion
 - Federal system of higher education as a driving forces of stratification

Extension of Marginson's work

- To understand stratification within a national system, one must consider three levels of stratification and their respective driving forces

	Globalization & Ranking	Academic capitalism and marketization of HE	Federal system of higher education
Global level	YES	MAYBE	MAYBE
Domestic level	YES	YES	YES
Institution level	YES	YES	YES

Part II: Federal system of higher education in China

Central-local government relation

- Purpose
 - Understand how multi-level government provides public goods
 - Understand how the institutional pattern affects the provision of public goods by national and sub-national government
 - Explore the role of central and local government in higher education

How multi-level government provides public goods?

		Nature of public goods	
		National	local
Beneficiary	National	National government (national defense)	Shared responsibility (compulsory education)
	local	Shared responsibility (vocational secondary education)	local government (community hospital)

How multi-level government provides public goods?

- To adequately, equally and effectively provide public goods to citizens, multi-level government must
 - Vertical decentralization: share duty and finance between national and sub-national government
 - Horizontal decentralization: share duty and finance among different line ministries within central government

FEDERAL LEVEL

Line
ministry A

Line
ministry B

Line
ministry C

Line
ministry D

PROVINCIAL LEVEL



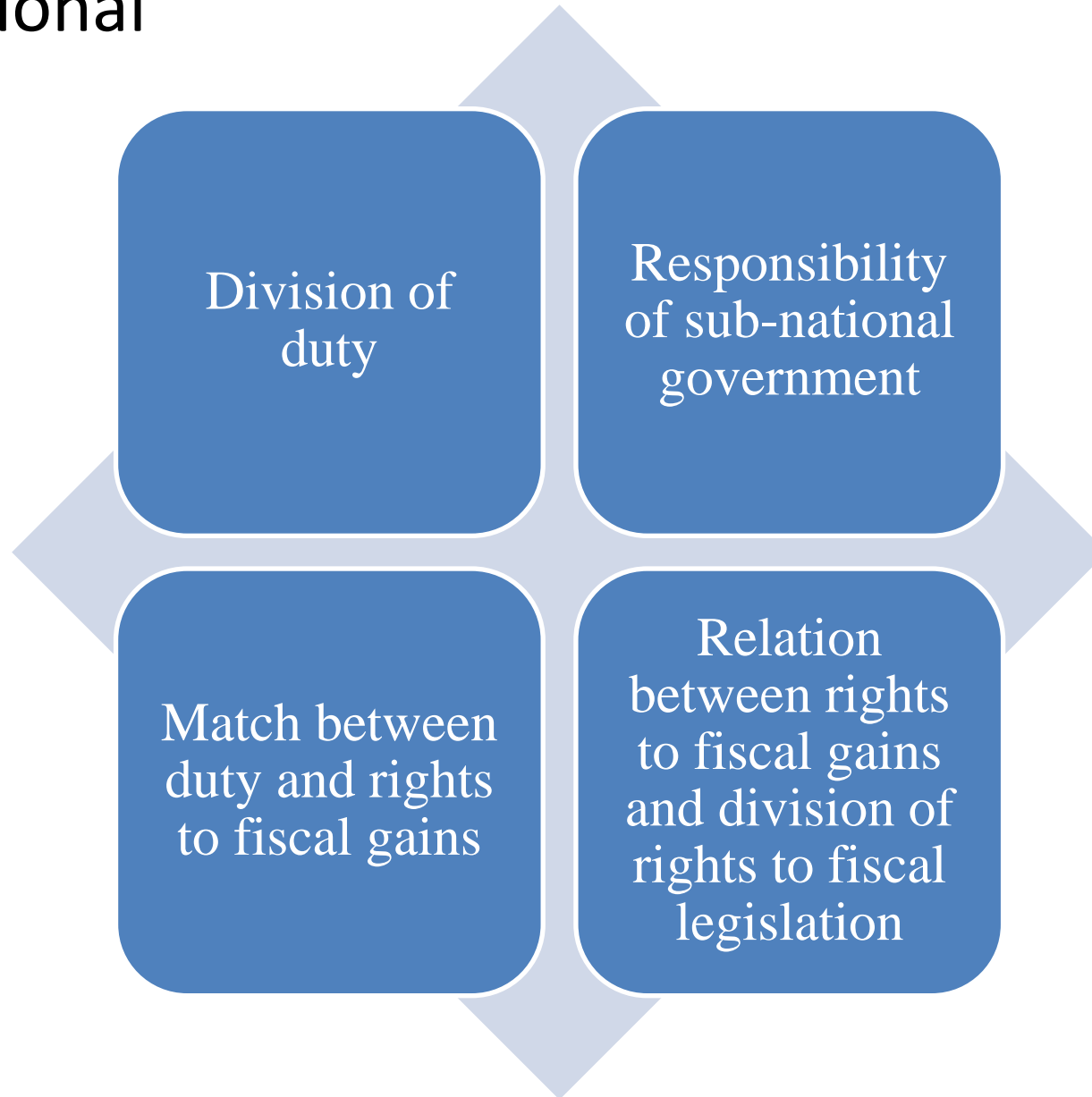
LOCAL LEVEL



How multi-level government provides public goods?

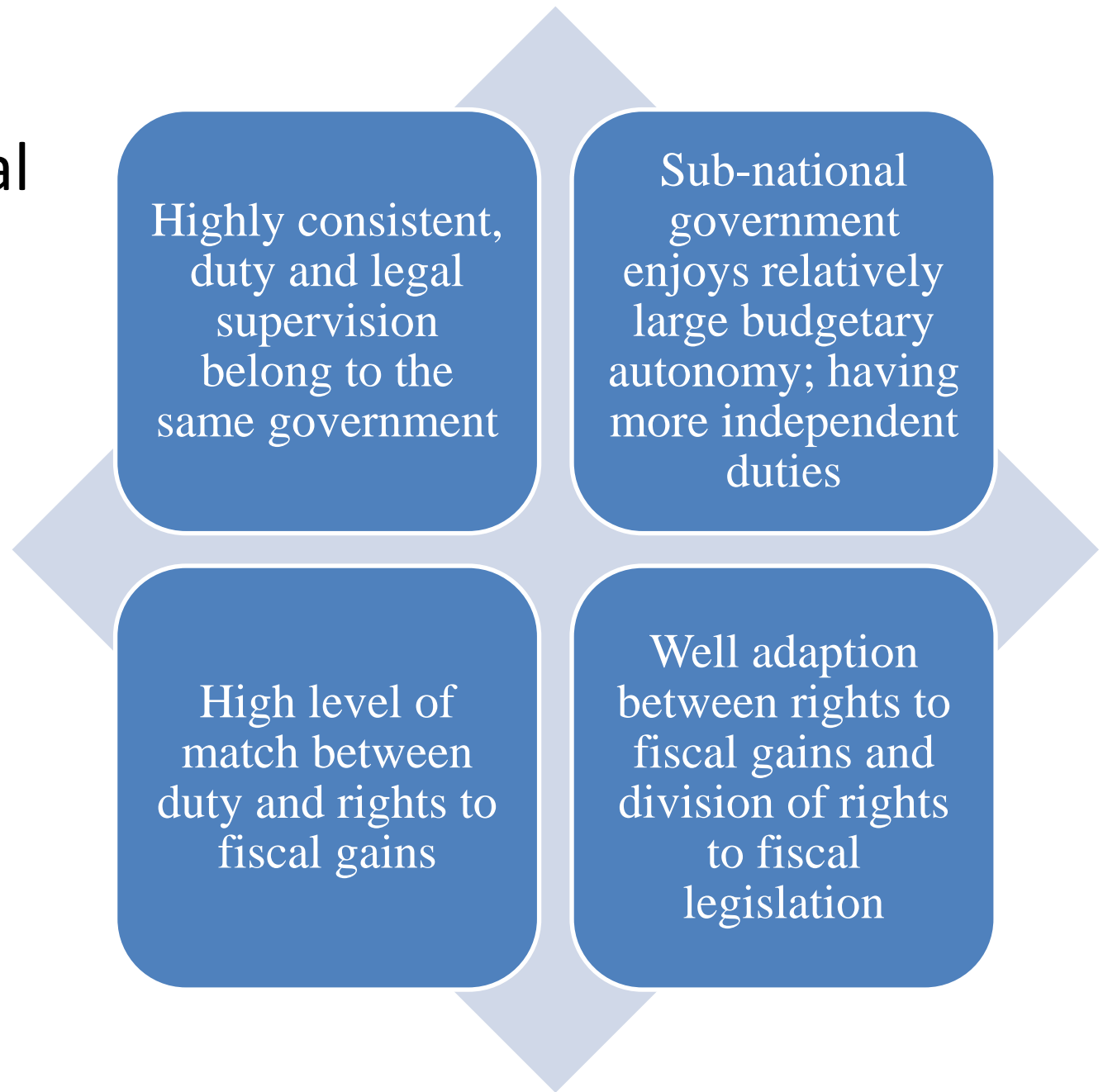
- Division of duty and fiscal responsibility is a critical part of multi-level governance structure
- Institutional pattern describes the way in which duty and fiscal responsibility are divided between national and sub-national government (Wei, 2015)

Institutional Pattern



Symmetric Institutional Pattern

Eg. U.S.,
Canada



Asymmetric Institutional Pattern

Eg. Germany,
Japan

less consistent, duty
and legal
supervision belong
to different levels
of government

limitations for sub-
national
government's
budgetary
autonomy; **large-
scale inter-
governmental
transfer**

Low level of match
between duty and
rights to fiscal
gains

Maladaptation
between rights to
fiscal gains and
division of rights to
fiscal legislation;
centralized

China: a variation of asymmetric model

- Constitutional structure and government levels
 - Five levels of government: central, province, prefectural, county, township
- Division of duty and fiscal responsibility
 - **Without a constitution base for central-local relation**
 - While other countries listed the division of duty and budget in their constitutions
 - In China only the “Common Principle” (1954) had a clear division of duty and fiscal responsibility between central and provincial government, subsequent constitutions and their amendments overlooked it
 - Budget Act of 1994 separated rights to budget between central and provincial government; granted other fiscal rights to the State Council

China: a variation of asymmetric model

- Division of duty and fiscal responsibility
 - Without constitution base for central-local relation
 - Solution: “Decentralization Chinese Style”
 - “Franchise model”
 - » Central government decentralized certain duty and responsibility for fiscal expenditure to sub-national government, instead of adjusting the rights to fiscal gains among multiple levels of government
 - Local governments have no rights to fiscal legislation, so they have to find loopholes to generate revenue, such as off-budget revenue

China: a variation of asymmetric model

– Solution: “Decentralization Chinese Style”

- Not positioning as Symmetric or Asymmetric country, but having certain characters of asymmetric system
 - Established a “Tax Sharing Regime” since 1994
 - » Set guidelines for division of duty and responsibility for fiscal expenditure between central and provincial government
 - Central is responsible for national security, foreign affaires, regional redistribution and etc.; provincial provide funding for regional development and service
 - » Divide income between central and regional government
 - Separate tax levy rights between central and provincial government, and define shared taxes
 - » Create tax returns and intergovernmental transfer regime
 - Established Income Tax Sharing regime in 2002
 - » Creating revenue base for intergovernmental transfer program for fiscal equalization

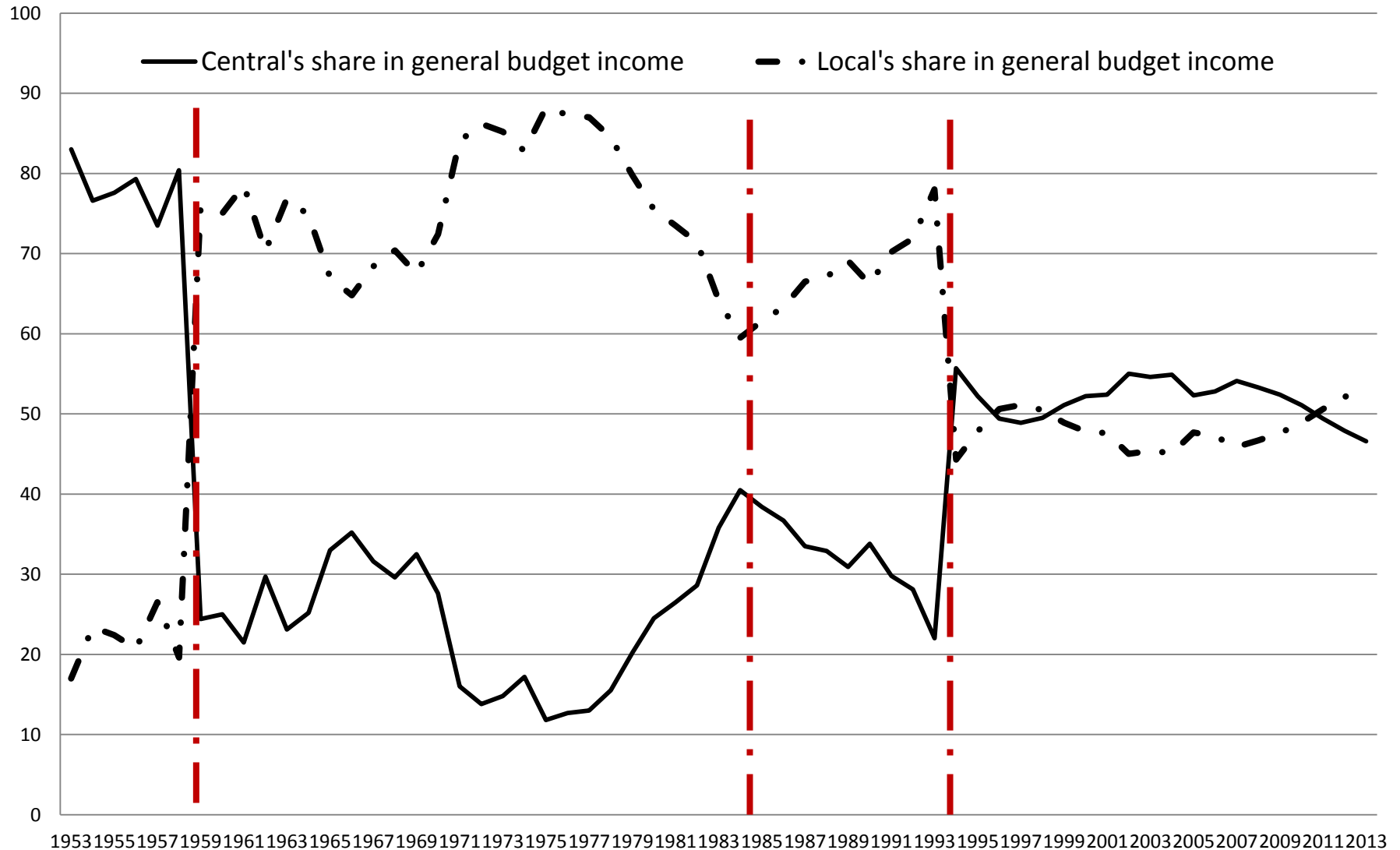
China: a variation of asymmetric model

– Solution: “Decentralization Chinese Style”

- Not positioning as Symmetric or Asymmetric country, but having certain characters of asymmetric system
 - Reinforce the fiscal capacity for central government and vertical imbalance
 - » Central government income share was 49.6% in 2013, central government expenditure for own level was 14.6%, so **vertical fiscal imbalance rate is 32%** (the rate was 28% for Germany and 20% for Japan, 13% for US and 7% for Canada)
 - Emergence of strong intergovernmental transfer program
 - » Share of central's transfer as % of local's fiscal expenditure is increasing, ranging from 40-50%
 - » Similar to Germany (43.8%) and Japan (37.2%), which was 29.6% for US and 19.8% for Canada

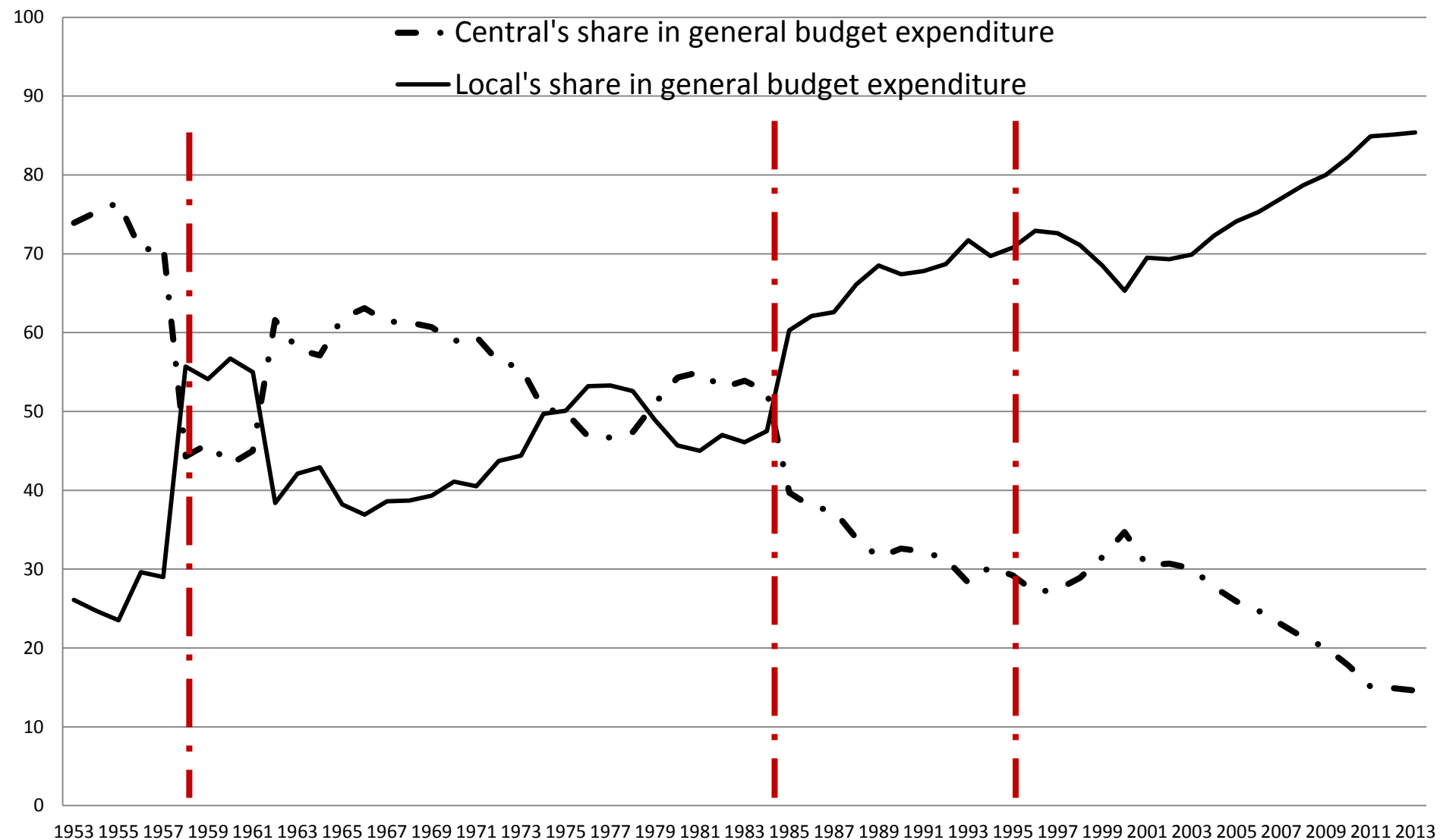
China: a variation of asymmetric model

--Central vs. local fiscal capacity



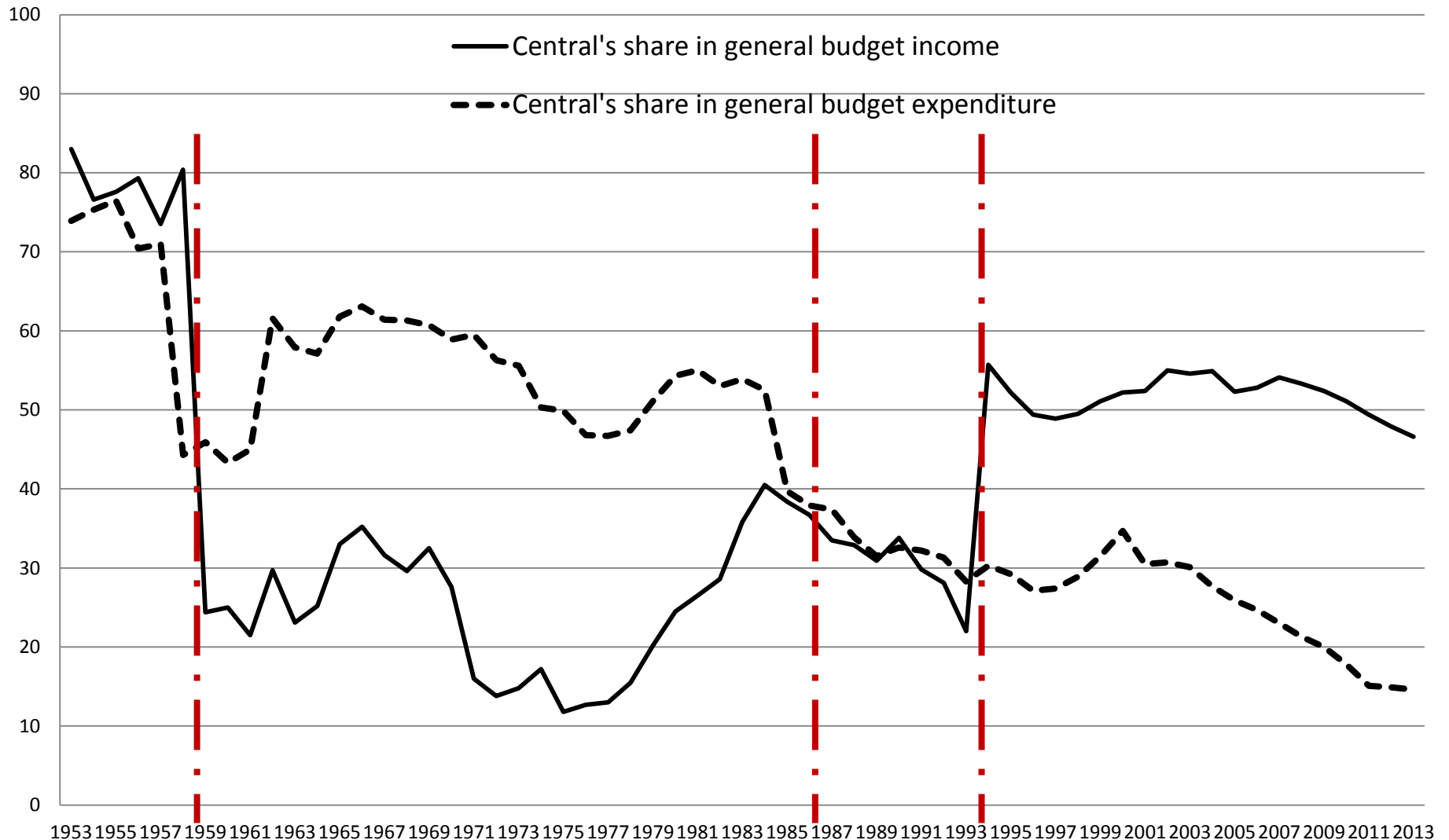
China: a variation of asymmetric model

--Central vs. local fiscal capacity



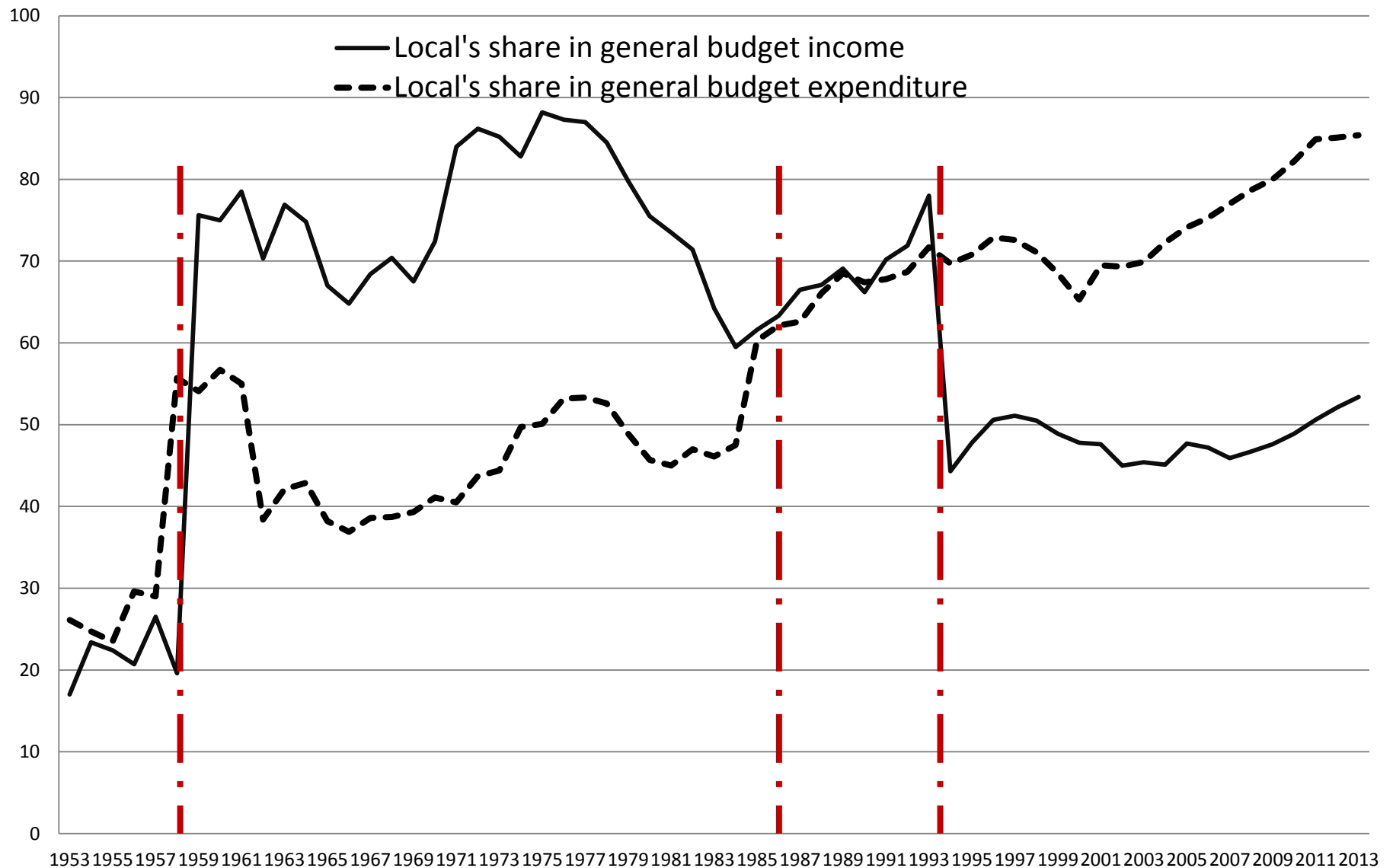
China: a variation of asymmetric model

--Central income vs. expenditure

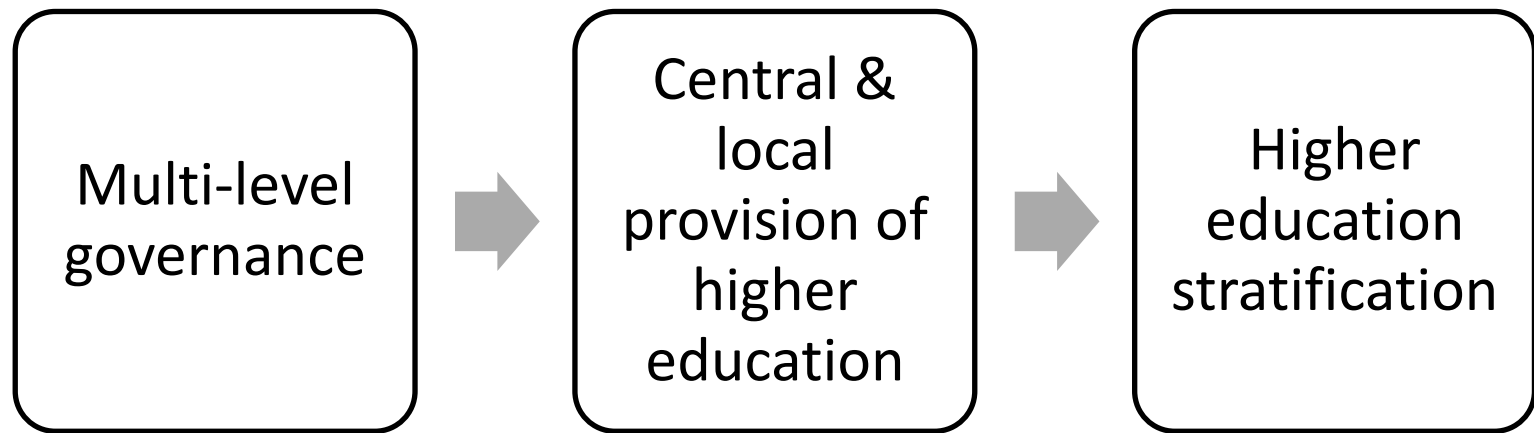


China: a variation of asymmetric model

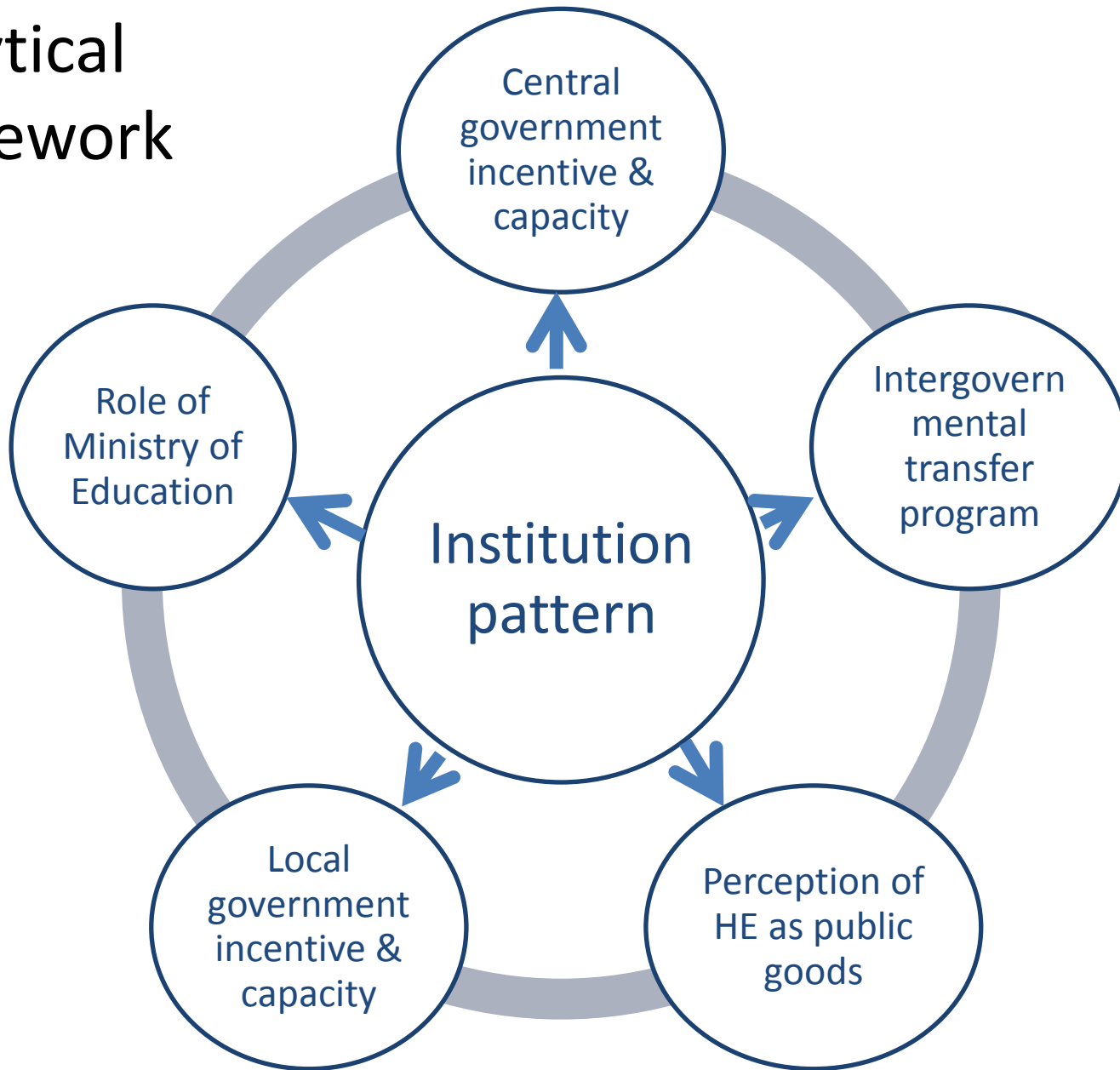
--Local income vs. expenditure



How does the INSTITUTIONAL PATTERN of multi-level governance affects the provision of higher education by national and sub-national government and higher education stratification?



Analytical Framework



How does institution pattern shape HE provision?

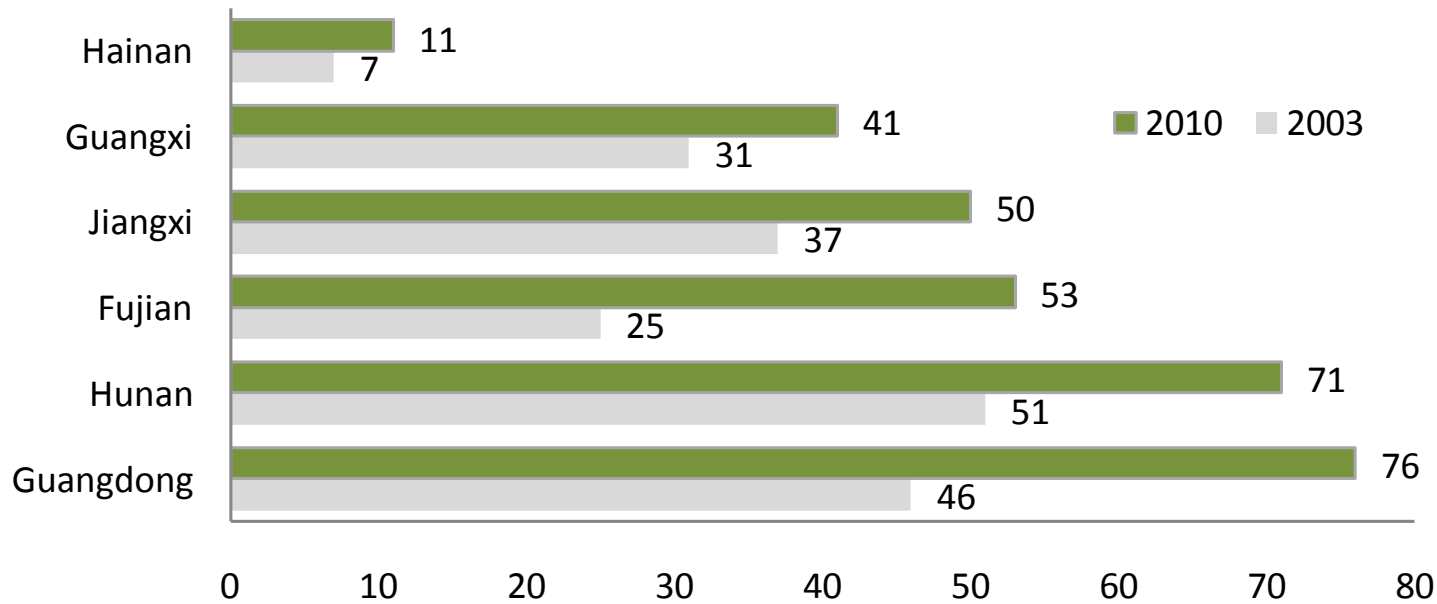
- Perception of higher education as public goods
 - Higher education becomes localized public goods, its provision and finance are largely controlled by local governments
 - Provincial governments support public 4-year institutions
 - Provincial, prefectural, some county government support public 3-year institutions
 - However, MOE affiliated institutions become club goods, enjoyed by students from high SES background, which are paid by public tax money and supported by MOE

How does institution pattern shape HE provision?

- Intergovernmental transfer increases overtime, which may distort incentive and capacity of local government to provide higher education
 - General grant
 - Categorical grant
 - Block grant

How does institution pattern shape HE provision?

- Decreasing the “wealth neutrality” in higher education finance, which implies developed regions wish and could afford to provide more access to tertiary education

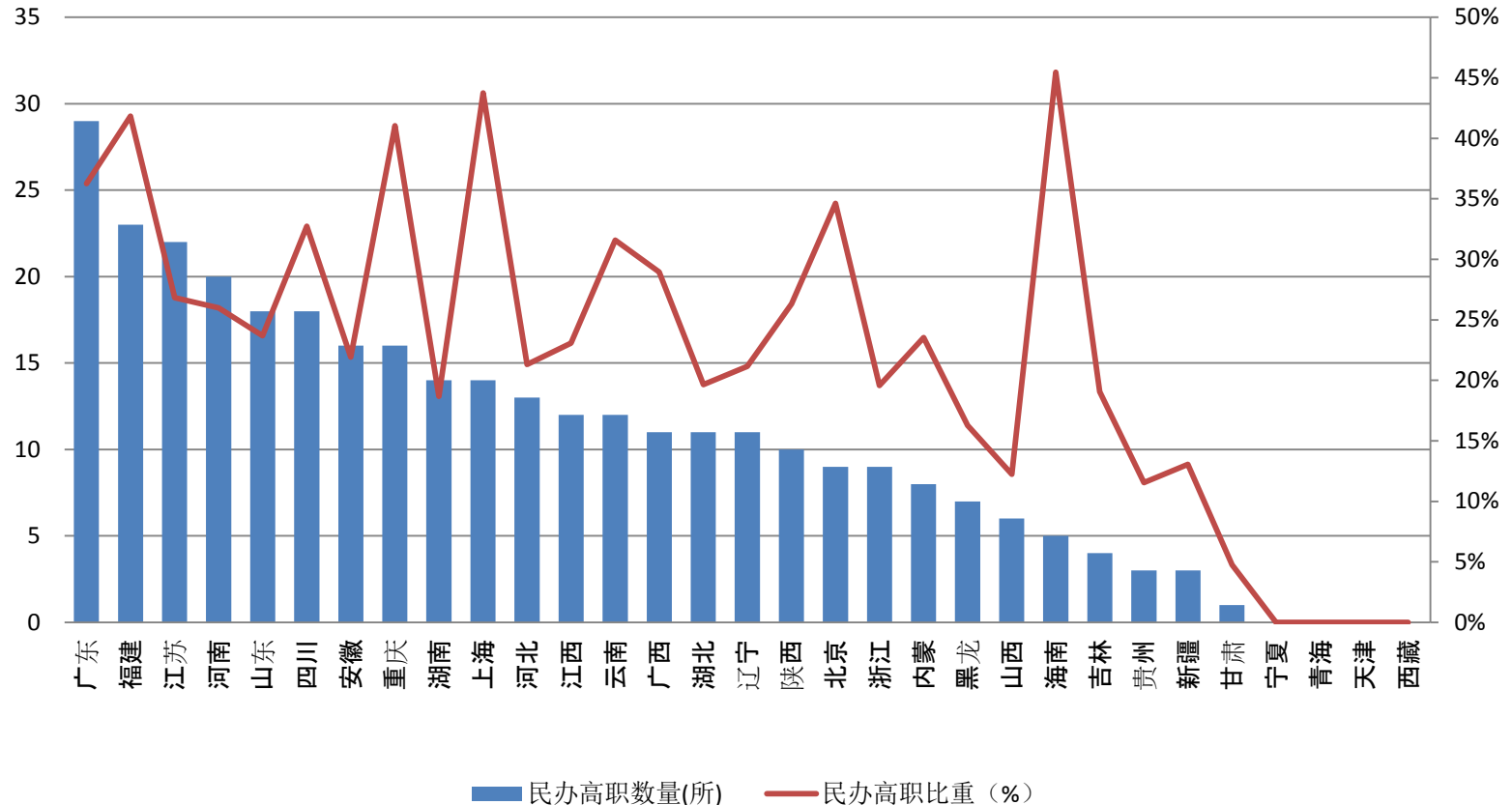


Source: Liu, Y.B. (2011) Expansion of vocational tertiary education sector from 2003 to 2010.

How does institution pattern shape HE provision?

- Local higher education development reflects the taste and capacity of local government

» Privation vocational colleges across region (2013)



How does institution pattern shape HE provision?

- Relative position of Ministry of Education increases and it forms a political coalition lobbying for higher education—realization of commanding heights in higher education (Wang Rong's presentation)
 - Horizontal decentralization from state council to line ministries
 - Existence of shared duties between central and local government, coordinated by MOE
 - MOE as agency with self-interest: function as technical and political institutions

How does institution pattern shape HE provision?

- Higher education stratification is strengthened, which leads to inequality among HEIs and inequality in higher education development among regions
 - Prioritizing the position of MOE affiliated institutions and research intensive universities
 - local institutions pursue comprehensive strategies
 - Vocational higher education institutions are marginalized

- What is the current division of duties and fiscal responsibility for higher education provision between central and local government?

Central-local relation in higher education

- Regulatory
 - Content
 - Setting the vision and goals for the HE system
 - Setting HE policies and objectives
 - Agreeing on the size and shape of the system
 - Assessing the quality of Teaching and Research
 - MOE is in charge of setting national regulation for both national (MOE affiliated, research-intensive universities) and local (provincial and local) institutions
 - Provincial governments are responsible for regulating provincial institutions

Central-region relation in higher education

- Provision
 - Content
 - Licensing new institutions (public and private)
 - Agreeing on universities' strategic plans
 - Support with governance and management
 - MOE is in charge of licensing all new 4-year institutions; but in terms of agreeing on universities' strategic plans and support with governance and management, only for MOE affiliated institutions
 - Provincial governments grant license for local 3-year vocational colleges; but in terms of agreeing on universities' strategic plans and support with governance and management, only for province-affiliated institutions

Central-region relation in higher education

- Finance
 - Content
 - Allocating resources (operational budget)
 - Allocating resources for special programs
 - Monitoring university performance and auditing
 - MOE is in charge of allocating operation budget for MOE affiliated institutions, but inter-governmental transfers from central to local institutions and monitoring performance of all institutions
 - Provincial governments allocates operation budget for province affiliated institutions, but inter-governmental transfers from provincial to local institutions and monitoring performance of local institutions

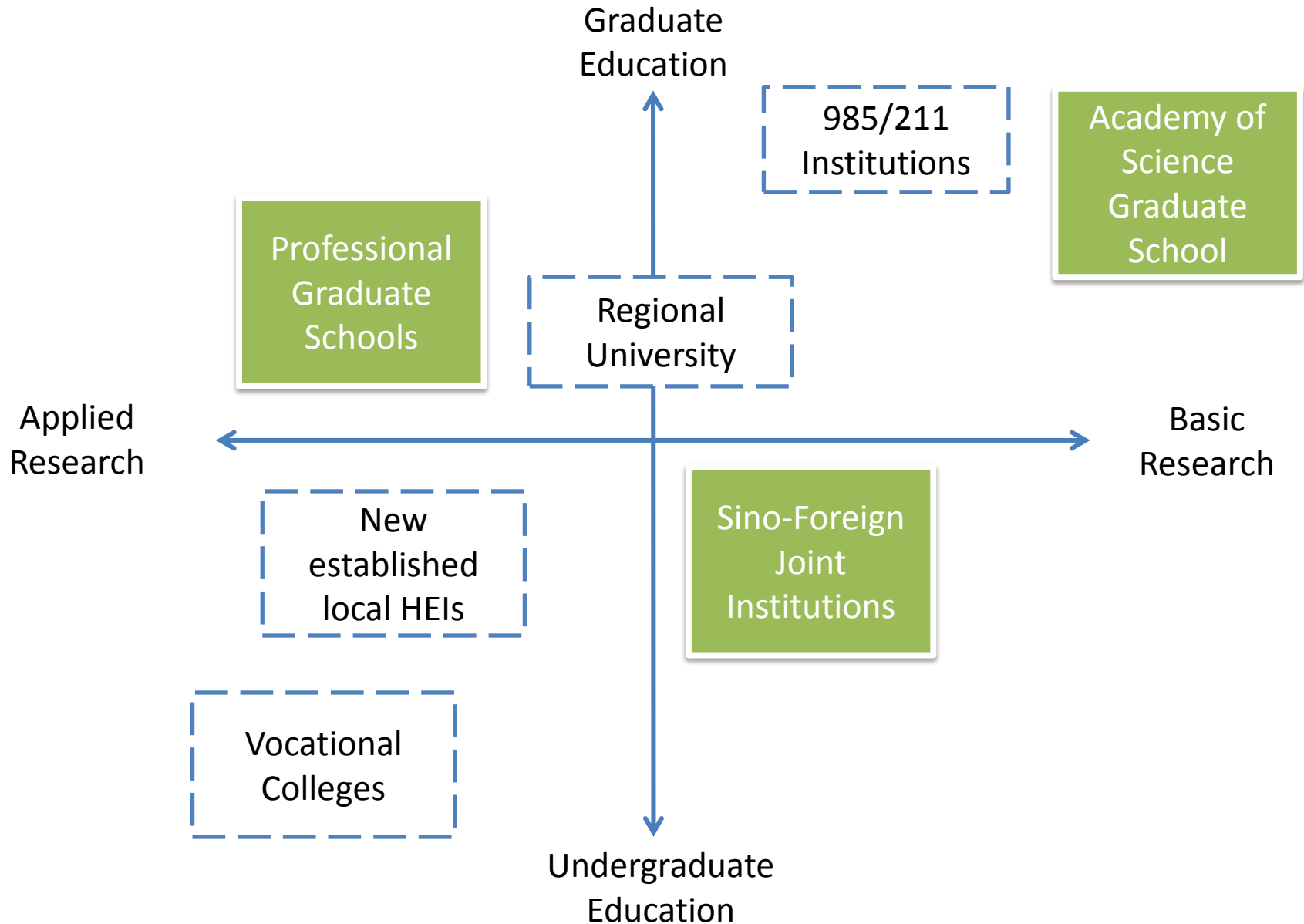
Key Functions	Central Government		Provincial Government	
	Ministry of Education	Other Ministries	Department of Education	Other Departments
Regulation				
Setting the vision and goals for the HE system	For nation		For province	
Setting HE policies and objectives	For nation		For province	
Agreeing on the size and shape of the system	For nation	For nation	For province	For province
Assessing the quality of Teaching and Research	For nation		For province	
Provision				
Licensing new institutions (public and private)	For 4-year universities		For 3-year colleges	
Agreeing on universities' strategic plans	For MOE affiliated		For province affiliated	
Support with governance and management	For MOE affiliated		For province affiliated	
Financing				
Allocating resources (operational budget)	For MOE affiliated		For province affiliated	
Allocating resources for special programs	For nation	For nation	For province	For province
Monitoring university performance and auditing	For nation		For province	

Part III: Empirical evidence

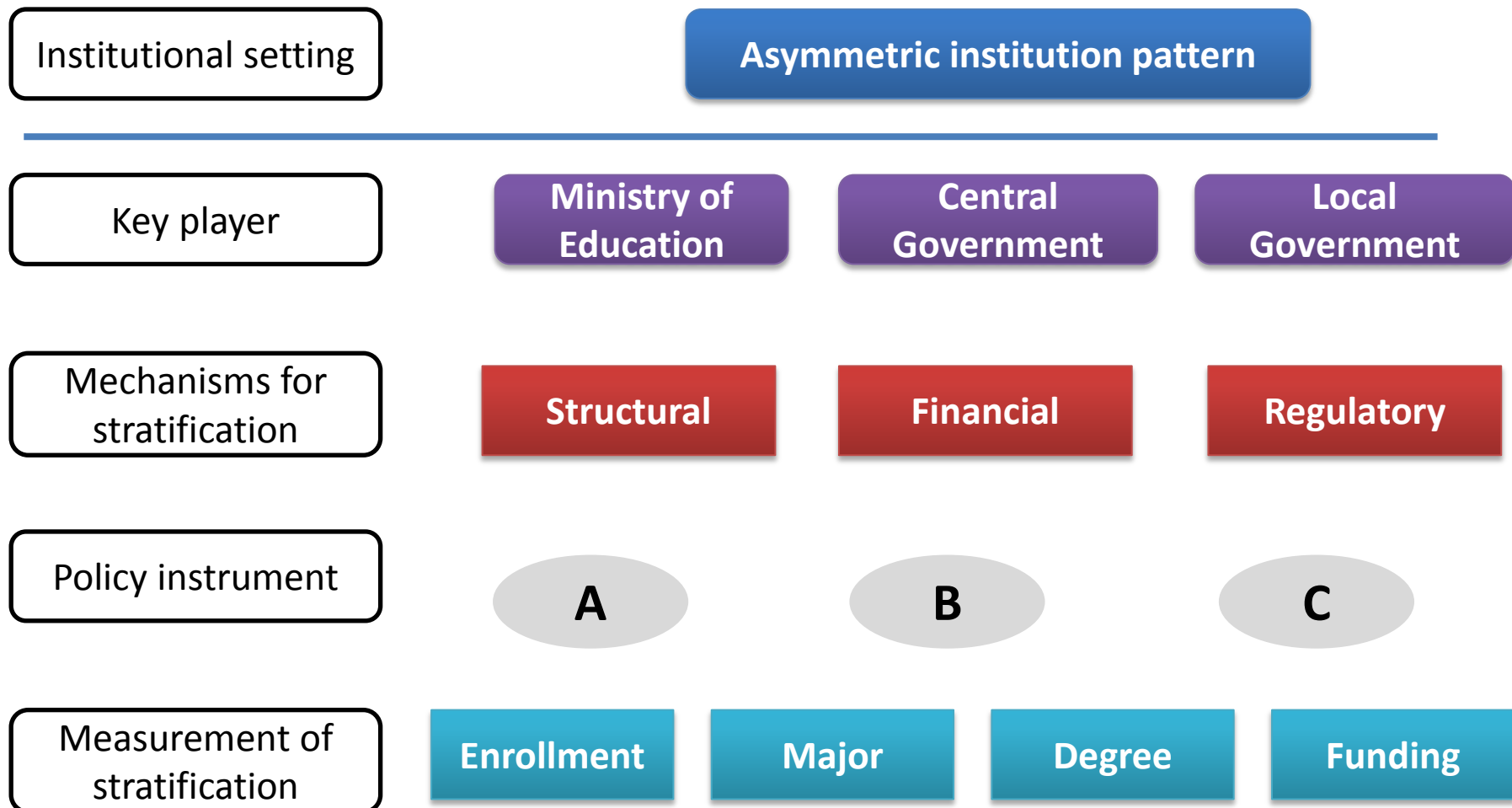
Altbach (2009) on Chinese stratification

“China has moved **consciously** towards a differentiated academic system, having so far paid special attention to the top of the system, especially to the 150 or so research universities that are the responsibility of the central government. Most of China’s approximately 1700 universities are funded by and are responsible to the provincial governments and in some instance to municipal authorities. These universities tend to be in the middle and toward the bottom of the academic hierarchy. There is currently a move to expand the non-baccalaureate sector in ways fairly similar to American community colleges” (Altbach, 2009, pp.15-16)

Federal system of higher education in China



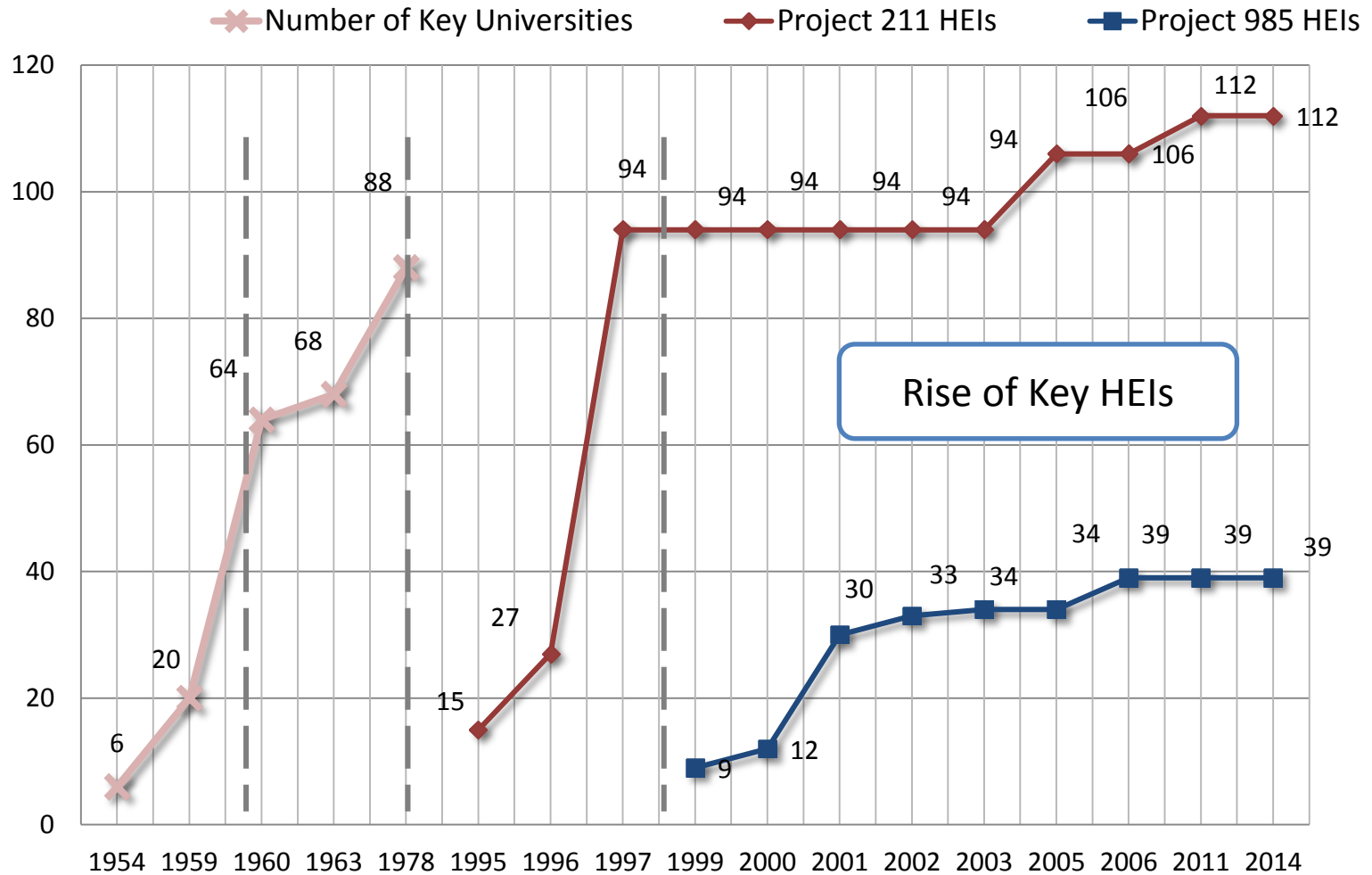
Analytical framework



Pro-stratification policy

- **Key university/discipline construction**
 - Initiated by MOE on behalf of central government
 - Policy measures
 - 4-year: As early as 1954; Project 211 in 1993; Project 985 in 1998; Project 2011 in 2011
 - 3-year: Demonstrative Vocational College project in 2006 and Key Vocational College project in 2010
 - Influence on stratification
 - Affecting enrollment, discipline/major, degree, funding
 - Impact on local government
 - Incentive: distort local preference
 - Capacity: sometimes local gov had to provide matching grant, diluting their investment for local ones

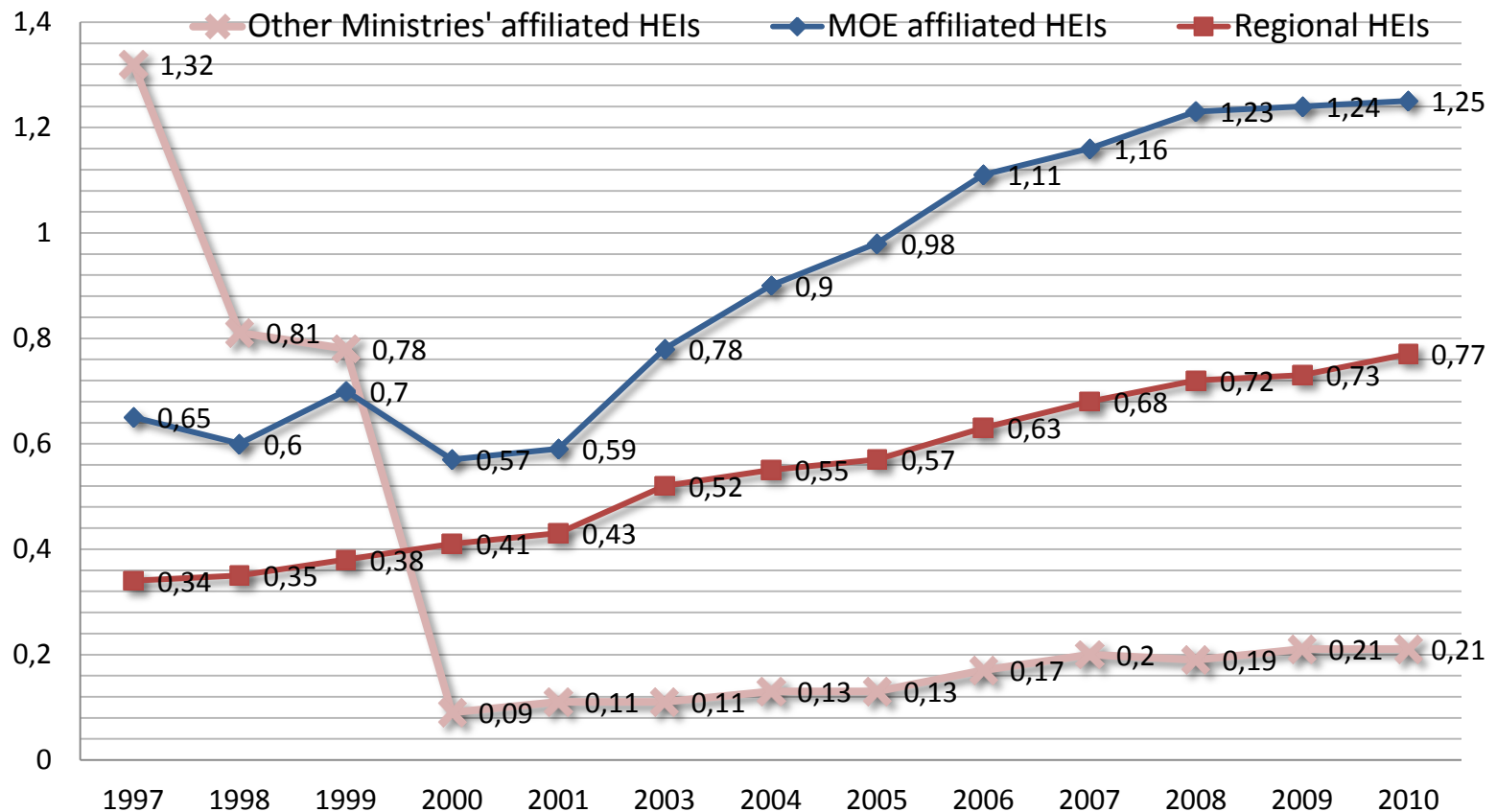
– Rise of institution hierarchy



Shared responsibility between central and regional HEIs

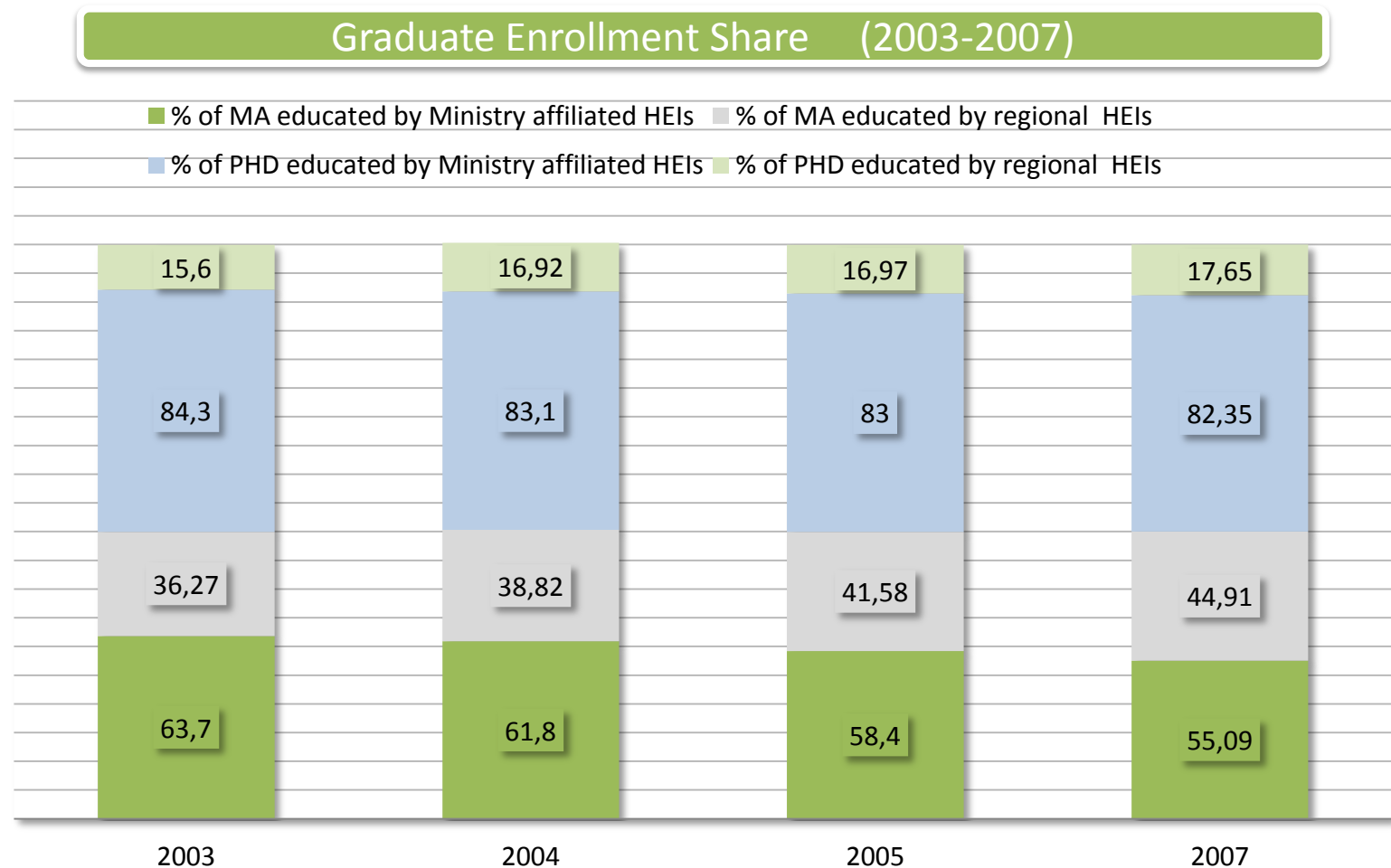
- Central ministry-affiliated institutions: focusing on research
- Regional institutions: research productivity increase

Publication per faculty (1991-22006)

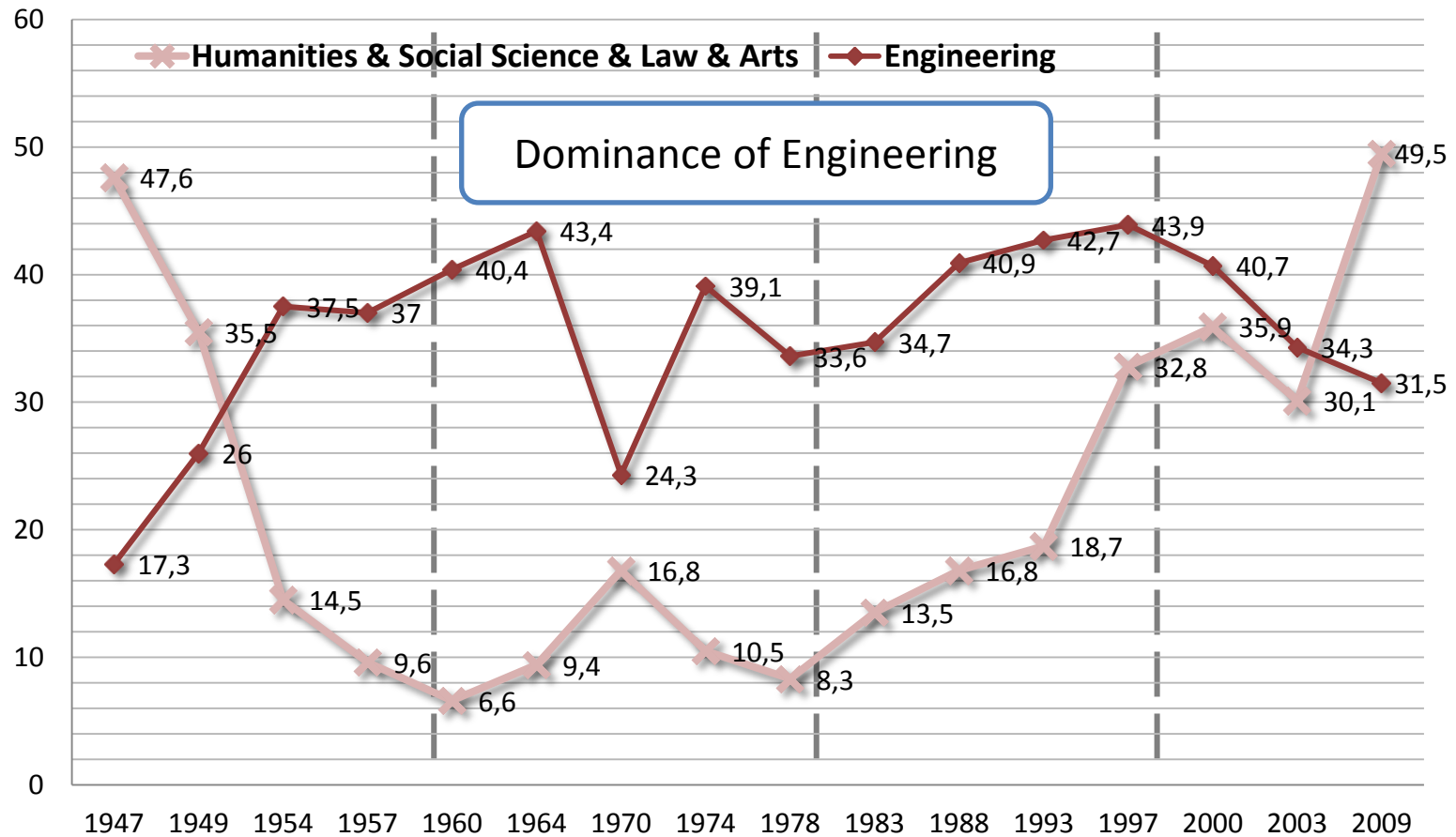


Shared responsibility between central and local HEIs

- Local institutions: focusing on undergraduate teaching
- Central ministry-affiliated institutions: focusing on graduate education



- Proportion of undergraduates in Engineering is high and the share in in Humanities & Social Sciences rises after last expansion



Pro-stratification policy

- **Cost sharing and revenue diversification**

- Initiated by MOE on behalf of central government

- Policy measures

- *China Outline for Education Reform and Development*, announced in 1993 to “charge tuition and fees in non-compulsory education stage” as an investment scheme of raising education funds through multiple channels

- *The Higher Education Law* promulgated in 1998

- Influence on stratification

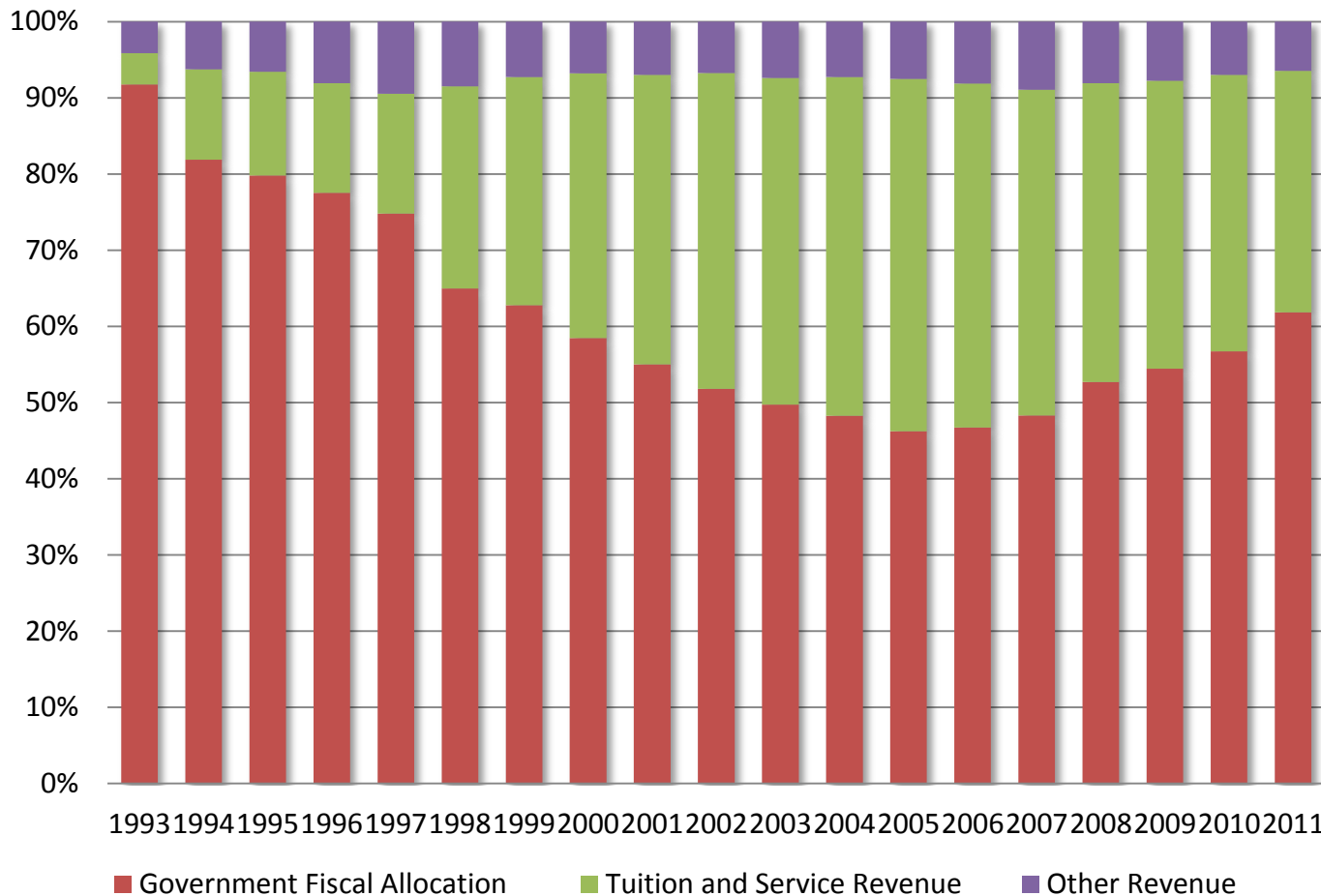
- Affecting funding and enrollment and discipline

- Impact on local government

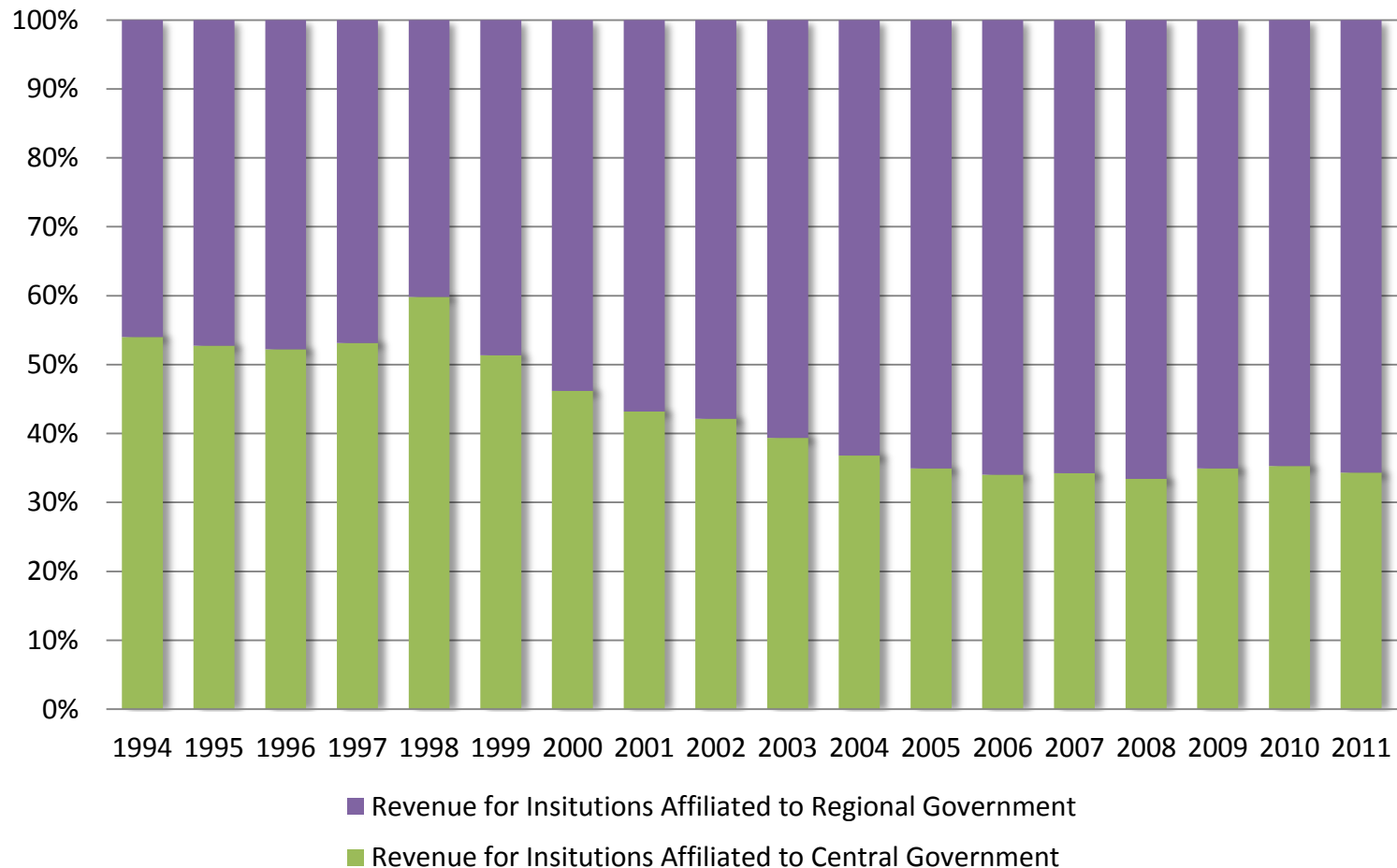
- Incentive: great impetus for expanding HE at others' expenses

- Capacity: providing additional funding for expanding local institutions, to various degrees

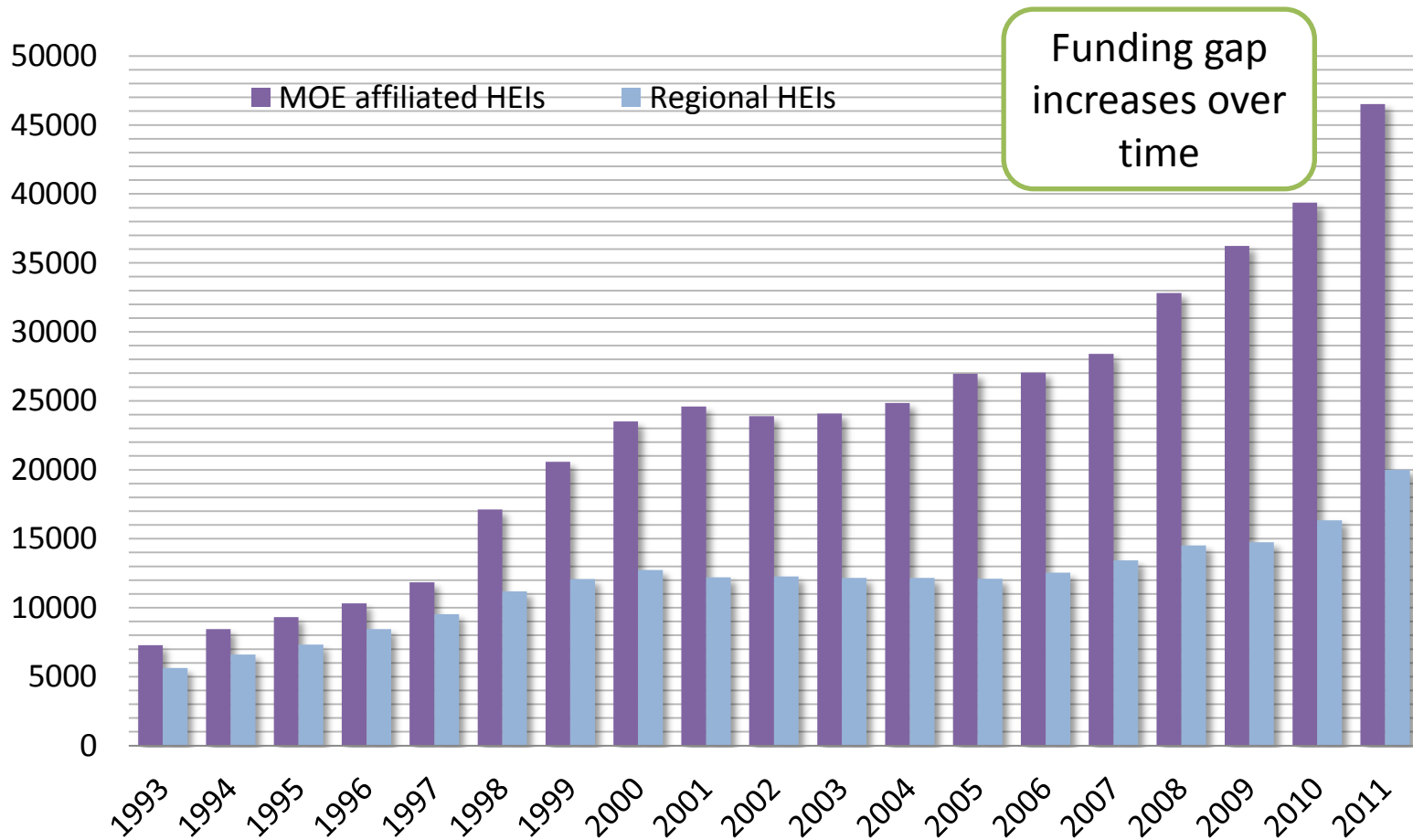
- Shares of higher education revenues from government, tuition & service charge, and other sources



– Distribution of the resources between national and regional levels of the HE system



– Financial disparity: per student expenditure for central vs. regional HEIs

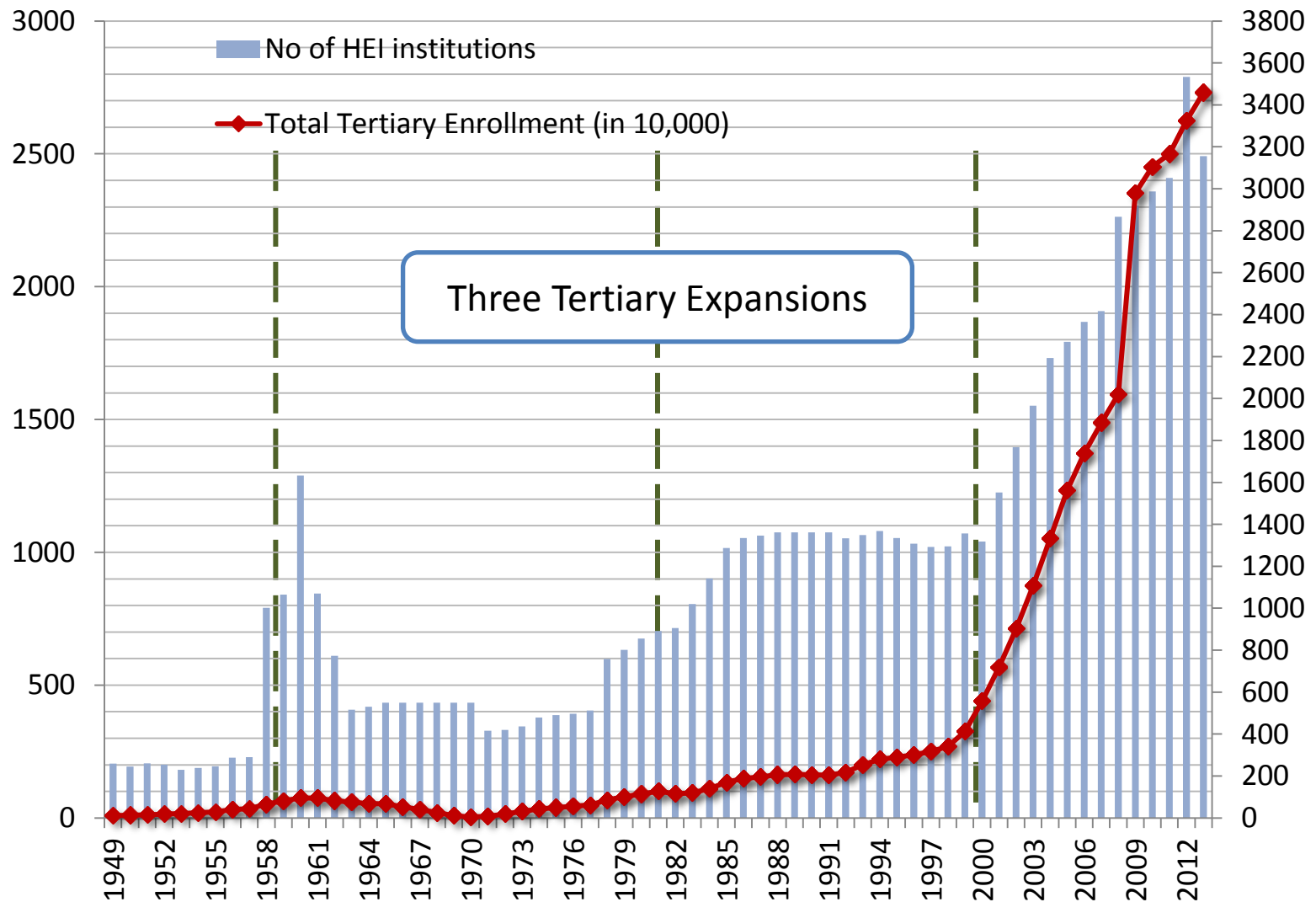


Pro-stratification policy

- **Higher education expansion**

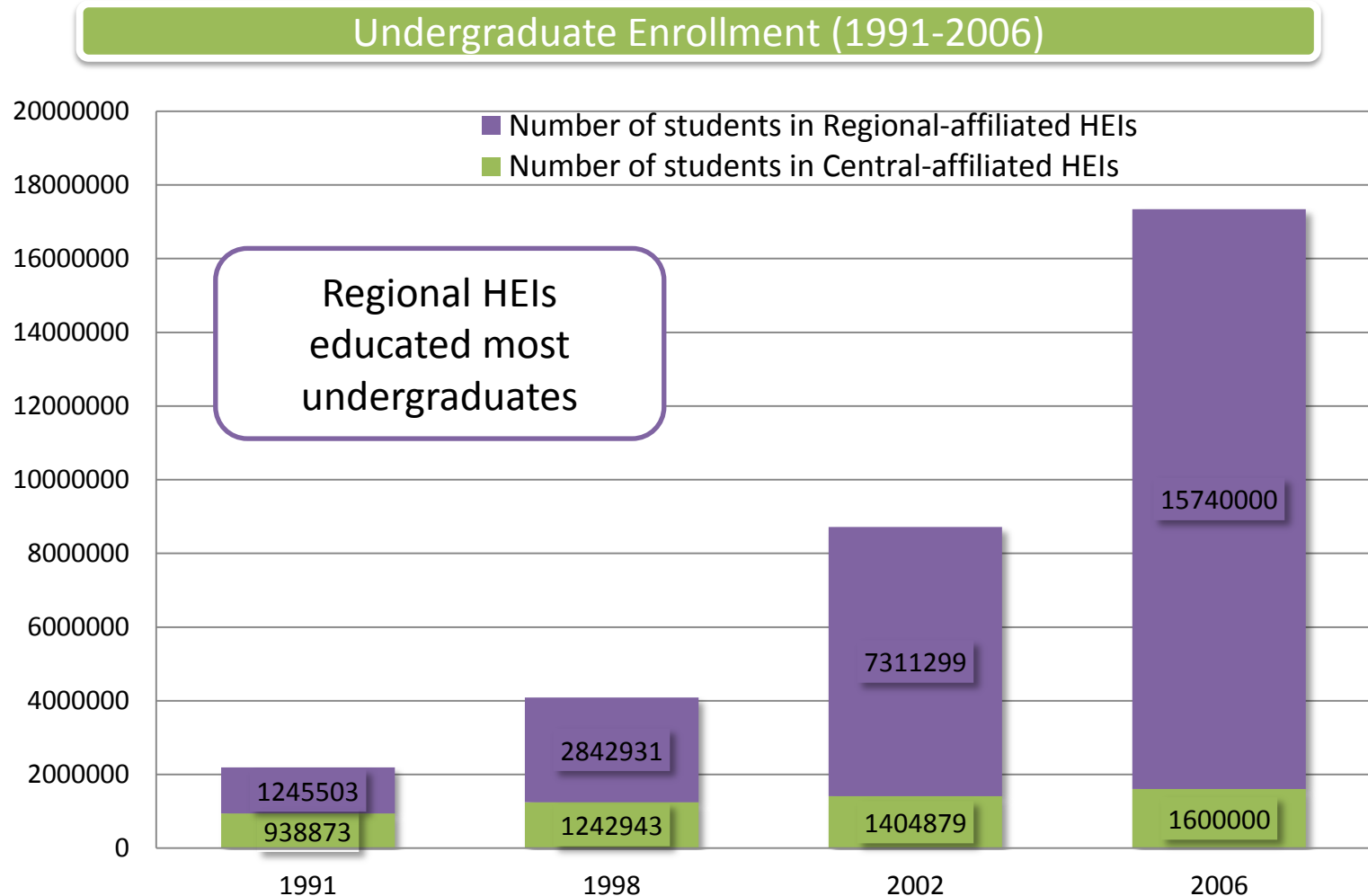
- Initiated by MOE on behalf of central government
- Policy measures
 - In 1999, China started a decade-long higher education expansion
 - Provincial government gained the right to accredit 3-year vocational institution
- Influence on stratification
 - Affecting funding, degree, enrollment and discipline
- Impact on local government
 - Incentive: great impetus for expanding independent colleges and vocational colleges
 - Capacity: local governments were empowered

– Number of tertiary Institutions and enrollment



Shared responsibility between central and regional HEIs

- Regional institutions: focusing on undergraduate teaching
- Central ministry-affiliated institutions: focusing on graduate education



Part IV: Conclusion

Preliminary conclusions

- Stratification is a process, which unfolds at global, domestic and institution level
- Unique central-local government relation shapes the central-local government provision of higher education
- How central and local governments provide higher education produces profound influences on stratification at domestic and institution level

Thank you!

PO YANG

poyang@pku.edu.cn

Peking University

Model of institutional pattern

- Symmetric vs. asymmetric model (Wei, 2015)

	Symmetric model	Asymmetric model
Division of duty	Highly consistent, duty implementation and legal supervision belong to the same government	less consistent, duty implementation and legal supervision belong to different levels of government
Match between duty and rights to fiscal gains	High level of match	Low level of match
Relation between rights to fiscal gains and division of rights to fiscal legislation	Well adaption	Maladaptation, rights to fiscal legislation is relatively centralized
Responsibility of sub-national government	Sub-national government enjoys relatively large budgetary autonomy; having more independent duties; national government does not provide emergence aid when sub-national governments are deeply in debt	Certain limitations for sub-national government's budgetary autonomy; national government is accountable for sub-national government debt crisis; existing large-scale intergovernmental transfer for equalization

Model of institutional pattern

- Symmetric vs. asymmetric model (Wei, 2015)

	Symmetric model (U.S)	Asymmetric model (GERMANY)
Constitutional structure and government levels	Three levels: federal government, state government, and local government	Three levels: federal government, state government, and local government
Division of duty and responsibility for fiscal expenditure	Federal government: macro issues, national public goods provision such as national defense, foreign affairs, R&D, and pay for related affairs; State and local government: micro issues related to local interests, and pay for education, welfare, highway, police and etc.	“Subsidiarity principle”; federal gov: national defense, foreign affairs, civil rights; federal and state jointly provide health and social welfare; state gov in charge of culture, education, university; local gov provides local highways, sport and etc; each government pays for their own affairs, and share the burden for joint affairs

• Symmetric vs. asymmetric model (Wei, 2015)

	Symmetric model (U.S)	Asymmetric model (GERMANY)
Rights to fiscal gains	Federal gov relies on income tax, state gov relies on sales tax, local gov relies on property tax	Almost all important taxes are shared by federal and state government, such as local sales tax, income tax, value added tax, tax on interests and dividend
Rights to fiscal legislation	Federal gov has power over tax levey; state gov doesn't need federal gov's approval for tax levy, they can decide their own tax base, tax rate and other rules	Federal gov in charge of tariff and proprietary activities and jointly shared legislative power with state for shared taxes; state and local gov have some legislative rights for local taxes
Rights to fiscal collection	Three levels of government have independent rights and agencies	Federal and state government have independent rights and agencies; local gov cannot collect their own taxes
Budgetary power	All three levels of gov have rights to make their own budgets	Federal and state gov can make their own budget, but state has very limited autonomy (68% of taxes are shared and controlled by federal gov)
Intergovernmental transfer	Federal provides grant for state and local; state provides grant for local; including general grants, categorical grants, and block grants	"uniformity of living conditions principle" leads to Financial Equalization Law, achieved through redistribution of VET, interstate equalization, federal supplemental grants
Coordination for disputes	No coordination	Federal assembly is formal coordination agency, with intergovernmental councils