Resource Utilization and Disparities in Compulsory Education in China*

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Abstract

Based on county-level data in 1997 and 1999, this study attempts to document resource utilization and disparities in compulsory education in China. It has found that while the pattern of resource utilization was similar across different areas of the country, there were substantial disparities in the level of per-student spending across these areas. The spending gap was particularly substantial between urban and rural areas, and between coastal regions and other regions. Although non-minority areas spent more than minority areas, the gap was relatively modest. Five measures of inequality were estimated and they showed a remarkable consistency in demonstrating a large degree of inequality in school spending at both primary and lower-secondary levels nationwide in 1999. Decomposition of the Theil indexes indicated that between two-thirds and three-quarters of financial inequality resided within provinces, and between one-quarter and one third of the financial inequality existed between provinces. For the urban and rural groups, the decomposition also showed that the great majority of the inequality resided within these groups rather than between these two groups. Comparison of 1997 and 1999 results showed that, nationwide, there was no significant change in the overall level of inequality in per-student total spending. However, in the same period, the spending gap increased between counties at the top-
end and bottom-end of the spending distribution; per-student total spending increased much faster at the top end than at the bottom end. The spending gap also increased between urban and rural areas, and between coastal areas and the rest of the country. The implications of these findings for education policy are discussed.

Introduction

Despite a low level of economic development, a large population, and considerable cultural and geographical diversities, China has made substantial achievements in the education of its people since 1949, as reflected in significant progress in access to compulsory schooling,\(^1\) basic adult literacy, the development of a dual system of formal and non-formal education, and the reform and expansion of higher education.\(^2\) Educational development is regarded as a foundation for socio-economic and political development in the larger society.\(^3\)

In the past two decades, the universalization of compulsory education has been a focus of educational policy in China. It is presumed that compulsory education raises the quality of the people so that they can become more productive individuals and more informed citizens.\(^4\) In recent years, however, the country has faced daunting challenges in trying to extend compulsory education of adequate quality to all population groups, particularly those in rural areas.\(^5\) The financial difficulties of poor and rural areas and the large financial disparities across areas and regions are two of the prominent problems in compulsory education. These problems are tied to the manner in which compulsory education is funded in China.

Since the early 1980s, the financing of education in China has undergone a fundamental structural change, from a formerly centralized system with a narrow revenue base to a decentralized system with a diversified revenue base.\(^6\) This financial reform in education took place in the context of a larger public finance reform in the country.\(^7\) Governments at the county level and below have the primary responsibility for primary and secondary education. Funds for education can be raised from both government budgetary sources and out-of-budget non-government sources. In many poor and rural areas, local governments\(^8\) can hardly raise enough revenue to cover teacher salaries, not to mention other non-teacher costs. In contrast, local governments in economically more advanced areas can mobilize significantly more resources for education, from both