The Impacts of the Financial Crisis on Chinese Higher Education

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Basic statistics

Figure 1  Number of enrollments and gross entrance rates of Chinese higher education
1.1 The slowdown of the growth of fiscal funding for higher education

- The growth rate of the GDP of China is decreasing. GDP of China amounted to 3.8 trillion USD in 2008.
- Chinese economy has become the third largest in the world, ranked only behind the US and Japan.
- The growth rate of Chinese economy, above 10% for 5 years in a row from 2003 to 2007, reduced because of the financial shock, to below 9% in 2008, 4 percentage points lower than that of the previous year.
- The growth rate went down further to 7% in the first 3 quarters of 2009.
The fiscal revenue of Chinese government dropped steeply. The fiscal revenue of China had been maintaining a double-digit growth rate since 1992; particularly in 2006, 2007 and 2008, the growth rates were as high as 22.5\%, 32.4\% and 19.5\%, respectively.

However, the growth rate turned negative in the first half of 2009: total fiscal revenue dropped by 2.4\%.
1.3 The slowdown of the growth of fiscal funding for higher education

- The growth rate of fiscal funding for higher education is expected to drop significantly. Since the expansion of Chinese higher education in 1999, up until 2007 the growth rate of fiscal funding for higher education had been above 10%; particularly in 2006 and 2007, the growth rates were 23.0% and 30.4%, respectively.

- It seems evident that the growth rates will decrease substantially in 2008 and 2009.
1.4 The slowdown of the growth of fiscal funding for higher education

- Only a small fraction out of the economic stimulus package went to education. In response to the financial shock, Chinese government has decided to invest a total of 4 trillion RMB yuan for the purpose of stimulating economic growth, while the investments going to the “social undertakings” including education, health care and culture accounted for merely 4% of the total.

- Investments on education were mainly those for the basic education in some western provinces, hardly any for higher education.
1.5 The slowdown of the growth of fiscal funding for higher education

- From an international comparative perspective, fiscal funding for higher education in China has been severely insufficient. Regression analysis showed that countries comparable with China in terms of economic development had:
  - an average enrolment rate of 24.8% in higher education, while China has an enrolment rate of 21%, 3.8 percentage points lower;
  - fiscal funding for higher education accounted for 0.7% of national GDP in these countries on average, while China’s percentage is 0.62%, 0.08 percentage points lower;
  - funds from governmental sources accounted for 61.6% of the total higher education funding in these countries, while China is only 45%, 16.6 percentage points lower.
- Obviously, China may need to “catch up” in the three above mentioned aspects.
2.1 The significant decrease of non-government inputs in higher education

- There is a reduction of endowment, and some promised donations are delayed.
- Taking Peking University (PKU) as an example, compared with the previous two years, endowment has reduced significantly in 2009.
- Several donors who had signed endowment contracts with PKU had to apply for delaying the delivery because of the financial shock.
2.2 The significant decrease of non-government inputs in higher education

- The financial crisis also affected the market value of the university endowment funds.
- Due to the collapse of Chinese stock market, it is difficult for university endowment fund to outperform relevant market indexes. Some are suffering declines.
2.3 The significant decrease of non-government inputs in higher education

- Tuition is not to increase because students and families are also facing economic strains.
  - Tuition of higher education has maintained the same level in recent years in China. Noting the fact that the scale of enrolment is no longer capable of expanding in a drastic manner, it is thus difficult for Chinese universities and colleges to increase total tuition revenue.
  - Moreover, the parents of some students may have been laid off or are experiencing reductions in income, which puts economic pressure on students and their families.
3.1 The adverse impacts on college graduates

- There is a significant reduction in job openings in the labor market. This financial shock impacted directly on China’s foreign-invested and trade industries. In the coastal areas many small-and-medium-sized enterprises (SMEs) had to be shut down, which has in turn shocked the labor market. In the first half of 2009, the total import and export value of China was 946.12 billion USD, dropped by 23.5% compared with the same period in the previous year. Among which, export dropped by 21.8%, import dropped by 25.4%.

- A survey of PKU showed that the employment of college graduates has been concentrated in enterprises including state-owned enterprises (SOEs), collectively-owned enterprises (COEs), foreign-invested enterprises (FIEs) and SMEs. In recent years SOEs and COEs are in the process of downsizing, FIEs and SMEs have become the mainstay to increase employment opportunities. The difficulties of the FIEs and SMEs have added to the problem of placement of college graduates.
3.2 The adverse impacts on college graduates

◆ The employment rate of college graduates dropped significantly. This year’s placement rate of college students upon graduation publicized by the government was for the first time below 70%: 68%.

◆ There were a total of 6.11 million college graduates this year, an employment rate of 68% actually means about 2 million graduate students without jobs, which is imposing challenges to social stability.
3.3 The adverse impacts on college graduates

- The “disadvantaged groups” in universities and colleges are in more vulnerable positions. Empirical studies showed that in China students with better professional and educational family backgrounds, students from big (and middle-sized) cities and students from families with higher income have better chances going to “national key universities”.

- Since the expansion of higher education enrolment, educational resources in China have been allocated in a way that favors students from families with higher social status (better professional and educational backgrounds, from big cities, etc.) and are making students from these families better-off, while the role of family economic background is weakening.

- Moreover, in respect of gender differences, males are gaining advantages in accessing better educational resources.

- Since the students from key universities have advantages in job search while the vulnerable groups have difficulty going to key universities, students from these groups are therefore disadvantaged.
3.4 The adverse impacts on college graduates

- The demand for higher education keeps increasing as the pressure of getting employed persists.
- This can be seen from the changes of the numbers of students who register to take part in the entrance exam for graduate education. The number dropped in 2008 compared with that in 2007, but increased significantly in 2009. This up-and-down is actually reflective of the attitude of the people towards receiving higher education in the context of financial crisis.
Conclusion

- In a word, the financial shock does have negative impacts on Chinese higher education in a fast-growing phase. China is facing the serious challenge of ensuring the quality and equity of its higher education.
Thank you!