

# Equity Planning in China, Focusing on Education

Xiao Tan and Ziyu Zhao<sup>1</sup>

Cornell University, Department of City and Regional Planning

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## Introduction

In 2021, the Chinese government made a significant commitment to "Common Prosperity" and set a timeline for achieving equal access to basic public services by 2035 and realizing Common Prosperity by 2050. Common Prosperity is equity planning in the Chinese context, indicating a process of co-construction and shared development to improve the quality of life for everyone. The goals under common prosperity include achieving basic service equalization, reducing the income gap, and re-balancing regional development. In July 2021, Zhejiang province was chosen as the pilot zone for promoting Common Prosperity. The equalization of basic public services is the foundation of Common Prosperity. Our research will review the evolution of common prosperity in China and how to narrow the focus on disparities in basic education services between rural and urban areas. We will identify what factors caused the disparity historically, what solutions have been taken by multi-level governments to address this inequity, and what government should improve in the future.

## Background: Common Prosperity as a New Priority for Economic Development

### *From Economic driven to Environmental Protection and Social Equity*

- From 1949 – 1978: Planned Economy and Hukou System

Shortly after the People's Republic of China was established in 1949, the Chinese government adopted a planned command economy dominated by state ownership and equal

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Contact information Xiao Tan(xt235@cornell.edu), Ziyu Zhao(zz724@cornell.edu)

distribution as the common goal of the nation during the period. Under this system, the government fully controlled various social resources and provided the basic living needs of social members based on the Hukou system.

Hukou, a residential registration system established in 1958, divided citizens into agricultural or non-agricultural hukou (rural and urban). The two groups of citizens enjoyed different public services for a long period. In urban areas, the Danwei unit was both the work unit and residential unit that organized all members. It was also a territorial unit within which community public facilities were provided to its members, including housing, health care, nurseries, kindergartens, community kitchens, and bathhouses (Bjorklund, 1986; Li, 1993; Chai, 1996; Bray, 2005). Rural residents did not have access to urban public services.

- From 1978 – 2010: Economic-driven Development after "Opening-up"

In 1978, Deng Xiaoping, known as the "Architect of Modern China", decided to allow opening-up to incentivize economic growth. The underlying development priority changed from equal distribution to "Get Rich First". Furthermore, under the leadership of Jiang Zemin, China joined World Trade Organization in 2001. After opening up (1978) and joining the WTO (2001), China has become the fastest-growing economy worldwide, with an average annual GDP growth rate of almost 10% through 2018 and almost a billion people out of poverty (World Bank, 2018).

Such rapid economic development was highly rooted in resource-intensive manufacturing and exports, resulting in huge economic, environmental, and social inequality. Rural areas lagged during the 40-year robust economic growth, causing huge disparities in basic services supply. Rural residents can neither enjoy basic services in rural areas because of the insufficient fiscal power nor have access to services in urban areas due to the Hukou obstacle.

- 2013 – present: Attention to the environment and social equity

Such huge disparities in pollution and access to services require a transformation from an exclusive focus on economic development to promoting environmental and social justice (Zhang et al, 2018). When Hu Jintao became the country's leader, he emphasized the importance of protecting the environment and proposed that green China must be the priority. The regulation on industrial pollution was unprecedented. When Xi Jinping became the country's leader, China adopted a new type of urbanization that focused on social equity, a people-centered approach became crucial in economic development. Specifically, in 2021, since China has eradicated extreme poverty, common prosperity became the new priority for economic development.

## **Empirical Research: Focusing on Education**

One goal of common prosperity is to equalize basic services between urban and rural. Taking basic education as an example, the following section will review how unequal education is between urban and rural areas, and what factors create such inequity. This paper also will explore what solutions have been taken or need to be taken.

### ***Evolutions in Basic Education Supply***

Education service covers all age groups and many types of education, such as preschool education, high education, individuals with disabilities education, and the lifelong education system. This research mainly focuses on the nine-year compulsory education in China, including six years of primary school and three years of junior secondary school. Based on China's Compulsory Education Law, all children must complete nine years of education mainly financed by governments. In 2019, 90% of expenditure on primary schools and 93% of expenditure on junior high schools are financed by governments (China Educational Finance Statistical Yearbook, 2020). Therefore, with the transition of responsibility for education services among different levels of government, the education gap between rural and urban areas also changes.

- 1986 – 2005: Shift Responsibility from Central Government to Local Government

Before 1986, the central government fully provided public facilities based on residential units, including housing, schools, and medical care. Thus, the quality of education services between rural and urban was not much different. However, as the responsibility was fully transferred to local governments in 1986, the education disparity between rural and urban became exaggerated.

Rural residents could not get as high-quality education as urban residents for several reasons, including insufficient tax revenue and transfer payments and obstacles in the Hukou System. First, as previously discussed, rural areas lagged during the 40-year robust economic growth, and the per capita disposable income ratio between urban and rural residents has remained higher than 2:1 for decades. In addition, since the nation abolished the agricultural tax in 2006, the rural governments lost a massive amount of tax revenue, increasing the gap in fiscal power between urban and rural areas. In addition, the central government gave limited financial support to decrease the disparities through transfer payments. In short, the rural governments had difficulty providing high-quality basic education, and the Hukou citizenship hindered citizens

from accessing education in urban areas. Thus, during this period, the education disparity between urban and rural increased dramatically until 2005.

- 2005 – Current: Intergovernmental Collaboration

Since 2005, China adopted an intergovernmental coordination model to reduce the education disparity caused by the difference in local fiscal abilities. The central and local governments share the fiscal cost, and the county-level government has the management responsibility to implement localized development strategies. The fiscal responsibility of education has been distributed into three levels in China: central, provincial, and county. Each level has different responsibilities and shares different costs (Table 1). The central and provincial governments share expenditure with or provide direct transfer payments to lower levels of governments, though the distribution mechanisms and rules vary across the provinces.

For example, from the central government's perspective, the shared expenditure includes two types: tiered distribution and fixed distribution. All provincial governments have been divided into five tiers based on their economic statutes and locations, and different tiers shoulder different proportions of expenditure. The central government shares 80 % of public funds with the first tier, but only shares 40% with the third, fourth, and fifth tiers. Comparatively, the fixed distribution means the shared proportion is the same for all provincial governments. The following table refers to Zhejiang Province as an example to show the fiscal responsibility of different levels of government. Zhejiang utilized a relatively decentralized fiscal system. However, many provinces with larger disparities or lower-income prefer the centralized fiscal system.

	Central	Provincial	County
Public funds (the payment for cost of normal education operation)	Share expenditure (tiered distribution)	Share expenditure (tiered distribution)	Share expenditure
Subsidy to students from low-income families	Share expenditure (fixed distribution)	Share expenditure (tiered distribution)	Share expenditure
Nutrition improvement plan for rural students	Only for the designated low-income region	Share expenditure (tiered distribution)	Share expenditure
Textbooks	100 % (if use national version)	100 % (if use local version)	NA
Dormitory construction	Urban: NA	NA	100 %
	Rural: Share expenditure (tiered distribution)	Rural: Share expenditure (tiered distribution)	Rural: Share expenditure (tiered distribution)
Periodic tasks and special work	Support with transfer payment	Support with transfer payment	100 %
Teacher's salary	Support with transfer payment	Support with transfer payment	100 %

Table 1: Fiscal Responsibility of Different Levels of Governments in Zhejiang Province

Source: Author Analysis

### ***The Disparity in Education Services Between Rural and Urban Areas***

Although since 2005 the central and provincial governments share more fiscal responsibility in rural areas, the inequality between rural and urban regions still exists, especially in teacher quality, education results, and high school enrollment rates. Rural China faces higher challenges in keeping highly educated teachers due to the lower level of salaries and fewer opportunities in career paths. Taking teacher quality as an example, at the national level, 3.5% of teachers in urban areas have a Master's degree, 9 times higher than 0.4% in rural areas; 84.4% of

teachers in urban areas have a Bachelor's Degree, 42% higher than that number in rural areas. Although Zhejiang is famous for its high teacher quality, severe inequality exists between urban and rural areas. 28.1 % of teachers in urban areas have Master's degrees while only 1% of teachers in rural areas have a graduate education. In addition, due to the disadvantaged teaching resource and limited family financial support, the proportion of students continuing high school education in rural areas is much less than that in urban areas. In urban areas, 73 % of students who graduate from junior high school go on to high school, while less than 50% of students in rural areas do so.

	National level		Zhejiang	
	Urban	Rural	Urban	Rural
Teachers With Mater Degree*	3.5%	0.4%	28.1%	1.0%
Teachers With Bachelor Degree*	75.5%	53.0%	84.4%	82.4%
Enrollment Rate to High School	72.5%	46.26%	57.72%	46.20%

Table2: Disparities of education services between Urban and Rural  
Source: China Educational Finance Statistical Yearbook, 2020

### ***Policy to Improve Basic Education Equity between Urban and Rural Areas***

Since the Hukou system and unequal economic development are the fundamental reasons for rural and urban disparities, Zhejiang Province, as the pilot zone for common prosperity, has implemented some actions to loosen the Hukou regulation and promote teaching quality improvement in the rural areas.

- Support Rural Migrant Children

In the action plan of the Zhejiang Common Prosperity Pilot Zone, the government plans to reduce the barrier for rural citizens to change their residency to urban. All cities, except Hangzhou, will open residency policy for people who rent an apartment in the city. Hangzhou will adjust the credit-based residency policy associated with years of social security payments and house purchases. Therefore, it is easier for rural migrants to change their residency to urban and enjoy the same services. In addition, some urban governments plan to expand basic public services to cover the permanent resident population. For people living in the city as long-term residents without local household registration, the government will provide basic public services

for them. Thus, even though the rural migrants keep their rural residency, their children can enjoy the same education as urban residents as the permanent resident population.

- Improve Rural Education

The actions to improve rural education represent increased resource sharing among schools, setting the same standards for both rural and urban areas, and adding equal development to official performance appraisal. First, Zhejiang promotes an educational community (义务教育共同体) mostly at the county level by combining high-quality schools in city or town with schools in rural areas together. In the community, the urban school must help or support the development of rural schools. There are three types of education communities with different degrees of linkage: integrative community, co-development community, and collaborative community. An integrative community indicates that two or three schools become one school with two to three campuses. The schools in the community become one legal entity regarding finance, management, and human resources. Thus, the teacher training, education system, and assessment are shared, though the student recruitment is independent. The co-development community means that the rural school entrusts the teaching section to the urban school or forms an education group, but the legal entity and finance remain separated. The collaborative community is only about project collaboration without any institutional combination. The core school provides instruction, research, and communication opportunity to support other schools. This form of collaboration could cross counties and even provinces.

Second, Zhejiang published basic standards for facility and construction quality, including scale and construction quality, teacher's quality, facilities, and campus environment and safety. The standard is not a baseline for all schools, but a target representing an optimal quality. Instead of treating rural and urban schools with different requirements, the standard sets the same rubric for both rural and urban schools. Also, many county-level governments have localized the standard and applied the adapted standard county-wide, which greatly improved the physical environmental quality of schools in rural areas.

In addition, education equalization becomes a basic performance evaluator for local government. The previous evaluation system has little consideration for equal development. Currently, the national government adds a county-level high-quality mandatory education equalization evaluation system, which assesses the difference among schools in a county in terms of teacher quality, physical environment, and facilities, regardless of rural or urban locations.

The quantitative evaluation approaches reveal the uneven development among schools and between rural and urban areas. The action to solve the inequality thus becomes an unavoidable process.

- Enhance transfer payments

A big action for common prosperity is to clarify the fiscal authority and expenditure responsibilities below the provincial level. The control and adjustment function in the province was under-clarified before. However, the management at the provincial level works more efficiently to allocate resources among counties, which is critical for rebalancing urban and rural development. The future fiscal reform for common prosperity would benefit rural educational development.

### **Reflections**

Chinese compulsory education has experienced twists and turns in its development. From promoting education for all to addressing education disparity between rural and urban education expansion, then to the intergovernmental collaboration to reduce the gap. Although currently, the ratio of enrollment to graduation at the compulsory education level reached almost 100% in China (Ministry of Education of the People's Republic of China. 2020), a huge gap in education quality still exists between rural and urban areas, and more actions are needed.

First, more institutional change is necessary. As discussed previously, the difference in tax revenue is the most crucial reason that caused the inequity in education services between urban and rural areas. However, the tax system remains untouched based on current policies. More institutional changes would contribute to achieving the goal. Urban and rural governments should have new revenue mechanisms to ensure balanced fiscal income resources. Equal expenditure guarantees equal education, and equal education is the foundation for future equal development.

Second, although the current policy has encouraged transfer payments to a certain extent, it still accounts for a small proportion of total education expenditure, which means the local government still takes most of the pressure. The central government only share the expenditure of normal education operation, textbook, subsidies and some construction, but it does not give assistance in the largest expenditure, teacher's salary. Teacher's salary causes more than 60% of cost for basic education. As long as the difference in fiscal power exists, the disparity in basic education services may not decrease.



Third, since the ratio of enrollment to graduation at the compulsory education level reached almost 100%, more focus should be given to improving education quality between urban and rural areas, in the areas of teacher quality and high school enrollment rate. Notably, teacher salaries are the largest expenditure of the local government for basic education and there is little financial support from the central government to cover this expenditure.

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