

Economic Impacts of China's Double Reduction Policy

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Abstract. In July 2021, The Ministry of Education of the PRC published "Opinions on Further Reducing the Burden of Homework and Off-campus Training for Students in Compulsory Education" (also known as "double reduction policy"), which includes restrictions on after-school training industry, reduction of homework burden, and so on. This essay summarizes the economic impacts of this policy, including impacts on training institutions, employment, distribution of expenditure, and future economy growth based on existed researches. This passage also talks about the effectiveness and timing of the policy and considers loosening the restrictions on smart education industry as an effective measure alongside the "double reduction policy".

Keywords: Double reduction policy; Economic impact; Timing; Smart education.

1. Introduction

Students burn the midnight oil to do loads of homework and extra practice, and go to the off-campus training institutions on the weekends. It is a common picture of Chinese students since they have to compete with others for a good high school or university. Under this education environment, many problems have been emerged, such as too much stress for students and an overcrowded after-school training industry. Reduction of education burden has been proposed for a number of years, and in July 2021, The Ministry of Education of the PRC published "Opinions on Further Reducing the Burden of Homework and Off-campus Training for Students in Compulsory Education", which represented a profound education reform. The announcement includes restrictions on after-school training industry, reduction of homework burden, improved quality of school time, and so on. In this passage, the economic impacts of this policy, both short run and long run, are analyzed based on existed researches and discussions. Also, some suggestions are proposed to avoid the shortcomings of the policy and continue to develop the advanced aspects.

2. The Short-run Impacts

2.1 The Impact on Training Companies

In the document posted in July 2021, the Ministry of Education of the PRC announced that, "Resolutely reduce the subject class training outside school. The existing discipline-based training institutions re-examined and registered, and gradually greatly reduced, to solve the problem of too much of them; according to the law, serious investigation and punishment are required to institutions that have problems of not meeting the qualifications, management chaos, false propaganda, and collusion with schools for profit." This measure has significantly affected the after-school training industry and caused a huge number of companies in crisis. According to the statistics published by the Ministry of Education of the PRC, only half a year after the announcement, there are now only 9,728 of the 124,000 offline training facilities that were previously registered and included in the compulsory education. The reduction ratio was 87.07%, the ratio of decrease from the former 263 registered online and off-campus training companies to 34 was 92.14 %, and the ratio of "transition from profit to non-profit" achieved 100 % [1]. New Orient, which is one of the most influential training companies, has announced that they have already closed up to 1500 branches all over the country. New Oriental Education Technology Group Co., Ltd. was listed on the New York Stock Exchange in 2006. Under current policy, its share price has dropped from a high of 19.97 in February 2021 to a low of 1.68 in August 2021 [1]. Also, there is a significant decline of the related economic

activities. For example, in 2020 alone, Ape Counseling completed three financing rounds for a total annual funding of 3.2 billion dollars. At that time, the company was valued at 15.5 billion dollars. However, only 69 investment and financing events occurred in the education industry in the first half of 2022, down 48% year-on-year. The total value was about 2.5 billion yuan, which was far less than the past [2]. In the short term, with the breakdown of a large number of the companies, also with the laid-off employees of those companies not able to find another job, there will be some degrees of decline of GDP after the announcement of the double reduction policy.

2.2 The Impact on Employment

Because of the strict implement of the double reduction policy, a huge number of K12 training companies have soon announced that they would close them or take measurements to lay off workers. The smart education industry also experienced a fierce action of retrenchment due to this policy. According to the statistics posted on the Internet, up to 1 million people had been working for K12 training industry. And considering the extremely high rate of the reduction rate of companies, there must occur a great amount of unemployment in this industry. For instance, at the end of August, New Oriental had originally intended to fire 4 million workers; and, as of mid-September, about a quarter of them were fired. Additionally, the VIPKID has up to 50% of its employees laid off [3]. Since most of the workers in these institutions expertise in teaching subjects related to tests and have little knowledge basis for other industry, they may have a hard time finding the next job. According to Beijing Human Resources and Social Security Bureau, after the implement of the policy, from a local scale, about 28,000 people have undergone social security reduction, of which 18,000 have repaid their social security, as which they interpret that about 64% of those laid off in the education and training industry are re-employed [4]. However, there are still a large population who experience unemployment. And since the K12 industry typically offers a relatively high salary for the teachers, the re-employed population may not satisfy with the current job, which means there might be a high rate of frictional unemployment. Moreover, this might affect the large population of graduates who are now looking for jobs, since they have intended to enter this industry and studied the academic knowledge for this, and now the job opportunities have significantly decreased. According to the information in "Job market sentiment report of college graduates in the third quarter of 2021" published by China Institute for Employment Research, in collaboration with WiseGuy Recruitment, "In the third quarter of 2021, the number of college graduates hiring in the education/training/institute industry dropped from July to September, while the number of job applications also declined notably in August and recovered a little bit in September. The employment sentiment index for college graduates also decreased from 9.77 in August to 4.69 in September, which shows that the "double reduction" policy has had a severe cooling effect on employment in the industry [5]." To sum up, the implement of double reduction policy can cause a huge decrease of employment in the K12 training industry.

3. The Long- run Impacts

3.1 The Change in Distribution of Income

With the development of the off-school training industry, most parents have to invest more money on the children's education so that their children are able to compete with other students who also learn more after school, and enter into a good junior school, high school, or university. Spending on children's education has become one of the major economic expenditures of urban families. The survey shows that Chinese urban families spend on average 78.3% of the total annual expenditure on children's education, 36.5% of the total household expenditure and 32.7% of the total household income. 81.4% of families choose extracurricular training or tutoring in subjects such as language, math, foreign language, etc. Fifty percent of families invest more than \$5,000 per year in their children's education and training, with 25 percent of them exceeding \$10,000 or more [6].

After the implement of the double reduction policy, they no longer need to spend that proportion of money on extracurricular training. According to the article, Understanding China's Double Reduction Policy on Educational Economy, the double reduction also stabilizes the unorganized after-school training market, pays a closer attention to the tuition fee proper to after-school training institutions, clarifies the standards of it, and firmly restrains arbitrary education fee charging, which shifts the responsibility of price-pitch from the off-campus education and training institutions back to educational functions. A variety of adopted policy measures also allows for the family's educational-related spending to be reasonably acceptable and stable [1]. This will lead to a result that each household has a considerable increased disposable income. So, gradually, they will distribute it on other consumptions or invest it on other things, which is good for the whole economy.

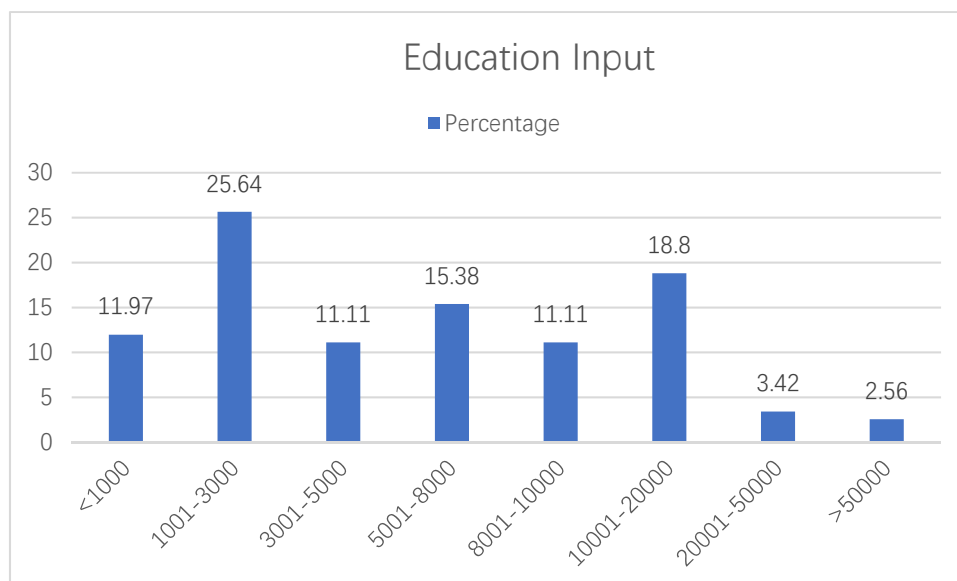


Fig. 1 Education input in percentage [6].

3.2 Better Development of Students

With the double reduction policy, the government helps students significantly reduce their time spent on after-school trainings. Also, the document includes that, “Classify the total amount of homework clearly. Schools should guarantee that elementary school grades 1 and 2 do not assign written homework, which could instead be carefully arranged within the school consolidation exercises; elementary school grades 3 to 6 written homework average completion time of less than 60 minutes, the average completion time of written homework in junior high school less than 90 minutes.” These measurements can strongly reduce the schoolwork burden of students. According to the statistic in “National double reduction policy effectiveness survey report” published by China Institute of Education and Social Development, Beijing Normal University, more than 88% of teachers consciously and strictly control the total amount of written homework, 75.3% of students feel that the amount of homework is less than last semester, and 83.4% of students can basically complete written homework or complete most of the written homework in school [7]. In “Interannual evolution of adolescent mental health status in 2009 and 2020”, a survey done before the implementation of double reduction policy, the statistic shows that the average number of hours of sleep is 8.7 for elementary school students, 7.6 for middle school students, and 7.2 for high school students [8]. Also, the detection rate of depression at the elementary school level was about 10%, and the detection rate of depression at the junior high school level was about 30%. The detection rate of depression in high school was close to 40%[8], which points out the severe drawbacks of the original policy. After the implementation of double reduction policy, the students are more likely to get rid of these problems and develop more comprehensively through their school years. Statistic from “National double reduction policy effectiveness survey report” shows that 68.2% of parents believe their children are sleeping significantly more, with an average of 9.3 hours of sleep in elementary

school and 8.5 hours in middle school. Also, 86.5% of students like school life, of which 90%, 88.1% and 79.9% of 4th, 6th and 8th graders like school life respectively [7]. These are signs of improved education experiences of students. In addition, these measurements will not negatively affect the quality of students' studying because whether through taking after-school classes or through the excessive amounts of practices, students can only sharpen their skills of taking tests to compete with others, but can hardly learn some real knowledge that contributes to their future academic studies or life. With more spare time and a constant pressure of competition, students can have more time to develop their hobbies or joining other activities. In this way, students explore what they like or what they are talented in, which contributes their future career. In Rhineland BECO German Education Interview Transcript, the author writes, "Many German children know at a very young age what career they want to pursue, so they go to specialized education at a very young age. And at this time Chinese children are still brushing up on their college entrance exams, with the result that many of the things they learn are later useless, and many even go to college for four years in a profession that is not reflected in their subsequent employment [9]." The author describes this pattern of education as "efficient", and it helped German education produce 68 Nobel laureates in the natural sciences within 100 years, which indicated the success of the education of giving students more private space. With the better development of the future citizens, the country can make more improvements in many aspects including the economy in the future.

4. Discussion

Finally, several comments about the double reduction policy are proposed. On the one hand, it is an effective policy on the aspect of economy because it regulates the education system into the right way and contributes to a more competent generation in the future, which will likely stimulate the country's development and economic growth. The analysis is provided in the above paragraph. Also, the timing of the implementation of the policy is appropriate. Due to the outbreak of COVID-19 in 2020, the after-school training industry had already experienced a decrease in size. In February 2020, the Training and Education Committee of the China Association of Private Education conducted an online survey of out-of-school training institutions in 31 provinces and cities across China and found that more than 90% of the institutions indicated that they are currently experiencing partial or serious difficulties in their operations. Among them, 29% said they are "seriously affected" and may close down, while 36.6% said they are "greatly affected" and their operations are temporarily suspended. This means that there are less labor being employed in this industry, so the number of unemployment caused by the policy will be smaller.

On the other hand, there still exists certain amounts of unemployed people, so the government should think about some ways to deal with the problems brought by the implementation of the policy. One good way is to loosen the control of smart education industry in the short run. In the article Understanding China's Double Reduction Policy on Educational Economy, the authors mention that, the smart education industry has to help "double reduction" to achieve data-driven quality and efficiency improvement. At present, the smart education industry has entered into a mature stage where teachers are capable of sending out simultaneous feedbacks, having visual reports to tell which level of knowledge mastery their students have reached, and gaining a comprehensive picture of students' personal variations for more accurate teaching instructions. Following personalized comments from teachers, students can complete self-directed deep learning. As a result, personalized teaching can be achieved within a large scale. There is no doubt that smart education is an effective tool that would be popular among Chinese parents and students. Under the circumstance of COVID-19, studying at home via the Internet has become a more and more popular way. According to CNNIC statistics, with the normalization of epidemic control, the scale of online education users in China reached 325 million as of June 2021, down 16.78 million from December 20, but still up nearly 100 million from before the epidemic (June 2019) [10].

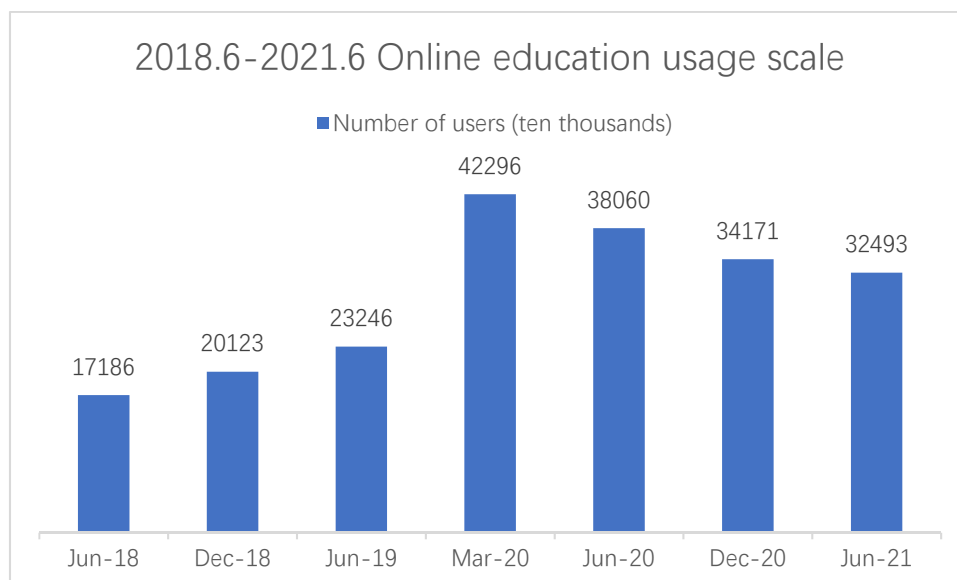


Fig. 2 Online education usage scale from 2018q2 to 2021q2. [10]

In this way, the problem of unemployment may be alleviated for some degrees because the teachers who lose their jobs in the offline training industry can employ their current knowledge and skills to work online as a teacher. Also, people might not get used to the education system at once, including teachers, parents and students. In the passage “Based on the principle of interest and a large sample survey of X province”, the survey shows that among parents, 69.6% of the them were worried about how to deal with the high school entrance examination, 47.1% of the parents were worried about other children doing extra studying privately, while only 18.8% of parents said they were not worried [11]. So, online education under relatively slight control can serve as a method of transition between the current education system and the future education system. After the education system is perfected, the government can gradually optimize the smart education industry. Thus, it can achieve the goals in the long run but lower the cost of the implementation of the policy as well.

5. Conclusion

To sum up, the “double reduction policy”, as an important education reform strategy of China, will also has an impactful effect on the economy. In a relatively short period, with the constraints on the after-school training sector, the policy will primarily result in a decline in the connected economic activities of the sector and a fierce problem of unemployed workers. From this view, partly loosening the control on smart education institutions is suggested since it’s a reliable way to alleviate the problem in the short term. In the long run, the “double reduction policy” will change the distribution of family expenditure after the public adapt the new education system, which is beneficial to families and even to the whole economy. More importantly, this policy can effectively reduce the schoolwork burden and give students more opportunities to explore their career, which contributes to the development of the future citizens, therefore will have a positive impact on the whole society and economy. So, the government should insist on the policies that optimize the education system and create more developing space for students. The “double reduction policy” is a profound step on the “chessboard” of China’s education system, and it needs careful planning about the next move to minimize the flaws and maximizes the benefits.

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