

# Critical Analysis of China's Higher Education Cost-sharing Policy under the Background of Universal Higher Education

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**Abstract.** China's higher education has entered the stage of universal higher education. This has significantly increased the demand for education funding in the higher education sector and has also brought new requirements for higher education cost-sharing systems. This paper analyzed the current situation of China's higher education cost-sharing system under the background of universalization and found that due to insufficient government investment in higher education intuitions, tuition fees have risen, and the cost of higher education shared by students and parents has increased significantly. However, the cost shared by higher education institutions and society remains low. Regarding the problem, this paper suggests that policymakers should consider increasing government spending, charging tuition fees according to family conditions, improving the student loan system, encouraging social donations and standardizing donation procedures, and improving higher education institutions' ability to raise educational funds, so as to optimize the structure of cost-sharing and meet the needs of higher education expansion.

**Keywords:** Higher education; Cost-sharing; Education policy; China.

## 1. Introduction

In 2002, the gross enrollment rate of China's higher education reached 15% [1]. China's higher education entered the "Mass Higher Education" stage [2]. Over the past two decades, China's higher education gross enrolment ratio has continued to grow and now stands at 57.8% [3], which symbolizes that China's higher education has entered the stage of "Universal Higher Education" [2].

With the continuous expansion of the scale of higher education, the contradiction between the limited educational funds and the rapid developing speed is inevitable. The current cost-sharing system cannot meet the needs of the universalization of higher education. The purpose of this study is to find the problems in the current system and provide policy solutions for policymakers in a related area.

This paper contains three parts. The first part will present an overview of China's higher education cost-sharing policy, the second part will point out the existing issues, and the third part will provide corresponding solutions to the issues raised in the second part.

## 2. Methodology

This paper will use qualitative research methods. The documentary analysis method will be used to interpret and analyze policy documents, data reports, literatures and studies related to cost-sharing in China since 1989, in order to clearly understand the content of the cost-sharing policy and the current situation of higher education in China. Meanwhile, the paper will use the case study method to evaluate related policies in the UK and the US to provide inspiration and suggestions for China's policy reform.

## 3. Cost-sharing Policy in China

In 1986, American education economist Bruce Johnstone first formally proposed the cost-sharing theory of higher education. He believes that the cost of higher education should be reasonably shared by the beneficiaries according to the level of benefits and affordability [4]. The cost should not only be borne by the government, but also by parents, students, and individuals or institutional donors [5].

This idea had a profound impact on China's policy reform in the late 1980s [6]. In 1989, the Chinese government promulgated Regulations on Tuition fees, Miscellaneous Fees and Accommodation Fees Charged by Ordinary Institutions of Higher Education [7]. Since then, higher education is no longer free, and the cost-sharing mechanism of higher education has been determined in the form of policies [8].

Nowadays, according to the Outline of the National Medium and Long Term Educational Reform and Development Plan (2010-2020), the current cost-sharing subjects of higher education in China include the government, society, higher education institutions, students and their parents [9]. From the perspective of sharing methods, the government shares the cost through financial allocations, the society shares the cost by donating to higher education institutions, higher education institutions mainly bear the cost of education through university-run enterprises and participation in scientific research, and students and their parents share the cost of education by paying tuition and miscellaneous fees [10].

According to the China Education Funding Statistical Yearbook 2020, the government contributes the most in terms of the percentage of contribution. The sum of 851,714,582 yuan, or 63.27% of the total financing for higher education, comes from the national financial education funds. After the government, parents and students contribute for 20.01% of all financing, making them the second-largest financial source. 10.89% of the overall financing comes from higher education institutions' revenues. And with only 0.61% of the overall budget, the societal contribution to higher education finance is the least [11].

#### 4. Current Issues

As mentioned in the introduction part, as the scale of higher education expands, more and more people choose to receive higher education, and China's higher education sector is faced with the problem of insufficient funds. Specifically, as mentioned in the last section, the government plays a leading role in the cost-sharing of higher education, however, the growth rate of government funding has not caught up with the expansion speed of the higher education scale. According to the Statistical Bulletin on the Implementation of National Education Funding in 2020, the national higher education funding increased by 3.99% compared with last year [12], but the national average higher education funding per student decreased by 3.78% compared with last year [12]. In other words, although government's spending on higher education has grown, funding for each student still declined due to larger growth in the number of students.

Due to the decline in funding per student, many higher education institutions have opted to raise tuition fees to obtain more funding for education. In 2021, colleges and universities from many provinces announced tuition fee increases, with an increased rate of 20% to 35% [13]. However, in 2016, the national average tuition fee reached 6,000 yuan per student per year [14], after a 20% increase, it will reach 7,200 yuan. If the tuition prices rise, higher education tuition fees will account for 15% and 38% of the per capita disposable income of urban and rural residents, respectively [15]. This will increase the burden on students and their parents and affect their living expenses, especially for rural residents. Students from the poor background may give up the idea of going to college because of the expensive tuition fees.

Meanwhile, higher education institutions and society are making little contribution to higher education funding. Most colleges and universities have no clear plans for obtaining educational funding beyond government funding and tuition fees, the funds obtained by colleges and universities themselves are uncertain [16]. In addition, due to the low awareness of social donations by enterprises and the public, and the imperfect laws and regulations on social donations, the scale of social donations remains small [17].

## 5. Policy Solutions

According to the analysis above, the main issue currently facing society is that, as a result of insufficient government funding, the cost-sharing burden placed on students and parents has increased significantly, while that of higher education institutions and charitable donations has remained relatively low. In order to optimize the structure of cost sharing and meet the needs of higher education expansion, this paper proposes reforms from the following aspects.

### 5.1 Increase Government Investment

First of all, the government should increase investment in education, the amount of financial investment should be coordinated with the scale of higher education.

### 5.2 Establish a Reasonable Tuition Fees Charging System

Second of all, colleges and universities should establish reasonable tuition fee-charging systems. Tuition fees should be controlled within the affordability of the educated, it should not be a barrier to education for members of society. At the same time, colleges and universities should consider establishing a flexible charging mechanism, adjusting the amount based on students' financial situation, lower tuition fees for students from disadvantaged families.

### 5.3 Improve the Student Loan System

Thirdly, the government should improve the student loan system. For example, the student loan system in the United Kingdom has certain reference significance for China to improve the student loan system. The UK student loans have the following characteristics: First, the loan threshold is low, almost all students who are obtaining the first higher education qualification can the student loans; second, the repayment pressure is low, and the repayment is according to the amount of income [18]. Such a student loan model can greatly reduce the financial burden for students and parents.

### 5.4 Encourage Social Donation

Fourthly, the proportion of social donations in education cost sharing should be increased. The U.S. university education donation model can bring some enlightenment to China's reform. Social donations have always played an important role in the development of higher education in the United States, it has remained around 8% of total U.S. college income in the past decade [19]. In 2021, philanthropy for U.S. colleges reached 52.9 billion dollars [20].

The characteristic of the American university education donation system is that the donations accepted by universities come from a wide range of sources, including foundations, alumni, non-alumni individuals, corporations, and other organizations [21]. Meanwhile, the federal and state governments have formulated a set of laws and supporting measures to provide strong support for educational donations [22]. In addition, donated enterprises and individuals enjoy preferential policies in paying income tax [23].

Referring to the university education donation system in the United States, colleges and universities in China should make full use of their social influence and alumni resources to attract social donations. Moreover, the government should strengthen the management of educational donation activities by promulgating relevant laws and regulations. At the same time, incentive policies such as tax reductions for enterprises and other units should be adopted to attract donations.

### 5.5 Improve the Fund-raising Ability of Higher Education Institutions

Finally, regarding the problem that higher education institutions themselves raise fewer funds, higher education institutions should pay more attention to the operation and management of their university-run enterprises, so that the enterprises can play the role of raising education funds.

Meanwhile, institutions can make full use of their advantages in scientific research and convert high-tech achievements into income. For example, institutions can commercialize scientific research results by applying for patents and obtaining benefits through patent transfers.

In addition, higher education institutions can strengthen their relationship with society and provide various paid training, teaching and other services for all sectors of society, so as to increase the funding income and share more education costs.

## 6. Conclusion

In conclusion, through the analysis of the cost-sharing of higher education in China, this paper found that there is a mismatch between government funding and the universalization of higher education, which made the burden on students and parents continue to rise, meanwhile the cost shared by higher education institutions and society is still relatively low. Therefore, this paper offers a number of policy recommendations to address this issue, including raising government spending, adjusting tuition fees to family circumstances, enhancing the student loan system, encouraging social donations and standardizing donation procedures, and enhancing higher education institutions' capacity to raise funds for education. However, it should be noted that China's higher education is developing. Policymakers need to constantly adjust the policy according to the actual situation, to ensure the rationality and effectiveness of the policy.

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