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« The power of market mechanism in the school choice in China: an empirical study»

Abstract

Background: School choice has been actively exercised by mostly middle class parents and ‘key’ schools in many places in China, each obtaining what they want: school places and funds. The aims of this study were to find out the impact of positional competition in school choice and explore the effect of market mechanism in the school choice process. There has been little empirical research into school choice in China and this represents a first step.

Methods: A descriptive survey was distributed to 224 parents from one ‘key’ school and 206 of them returned the form. Follow-up interviews with eight parents and the headteacher of the sample school were conducted. Results: The 68% of the school choice participants were professionals and public servants; the income of 69% of the participants is above or well above the average income of the locals; 61% of the participants indicated they had or were expected to spend over ¥ 30,000 for their child’s three-year study; 79% of the participants spent ¥ 3,000-¥ 15,000 for their child’s after-school activities. Implications: The results of the study suggest that the most active participants of school choice are the middle class parents and the key schools. The substantial amount of choice fee has either created a financial burden on those working class families or closed the door of school choice to them.

Key words: school choice; positional competition, market mechanism; educational inequality

Background

The parent-initiated school choice in China became prevalent in the mid-1990s. Since then with the help of the government policies which legalize the intake of choice students (SEC 1997), it has been exercised actively by parents and schools for different purposes: for parents, it is an opportunity to let their child receive better education; for schools, to generate
more funds, as will be explained below.

According to the existing literature, school choice in UK and USA is designated, implemented and encouraged by the government in an attempt to improve school performance by competition and achieve a fairer access to schools (Trowler, 2003; Coons & Sugarman, 1992; Levin & Belfield, 2006). For instance, in USA parents are encouraged to "vote with their feet" via a government-funded educational voucher, which is a tuition certificate that can be used to pay tuition at any "approved" school, public or private (Levin 2002). In China school choice is quite a different story. It came into being when some parents, mostly the middle class parents or those who had made a fortune, were willing to donate either in the form of money or materials to the target school in order to obtain access to a better education for their children. Those target schools are predominantly former key schools, which were established by the government to serve as a teaching and learning model for non-key schools and had priority in the assignment of highly qualified teachers, having better equipment, and much greater funding, as well as the enrolment of the better-performing students (CEY, 1984; Wang, 2007). Though the practice of having key schools came to an end in 1997 (SEC, 1997), the government's decision to construct 1,000 demonstration senior middle schools in the mid-1990s is regarded as the continuation of the key school policy since those former key middle schools match exactly the qualification of those newly established demonstration senior middle schools. For those former key junior middle schools, removing the key school title does not prevent them from being the favoured, the oversubscribed schools since they have had the strongest staff team and better teaching facilities in the local area. Having maintained these advantages, these former key junior middle schools continue to attract top-performing students, which in turn enables them to come out at top of the exam league tables. This good performance in exams attracts more out-of-zone choice students who have to pay the school an additional large sum of money commonly known as a choice fee. This source of additional funding can greatly improve school performance in terms of employing more qualified teachers, purchasing more advanced teaching facilities and increasing teachers' income. Thus a virtuous cycle is formed.

Chinese education is basically exam-driven. Exam results determine one's future. Since receiving higher education is generally regarded as a must for anyone to find a decent job,
passing the Entrance Examination to Universities and Colleges (EEUC) is seen by many as a requirement in order to lead a successful fulfilling life. Before this important exam, there is another exam that is crucial to the students, i.e., the Entrance Examination to Senior Middle Schools (EESMS). Because good schools can produce higher progression rates for their graduates to the next level, almost everyone believes that those demonstration senior middle schools (mostly former key senior middle schools) with better teachers, more generous funding and top-performing students can surely have more desirable outcomes than other schools. Likewise, many people believe that one had better attend a good junior middle school so that he/she may have a better chance of being accepted by the demonstration middle school. Therefore, when parents are considering which school they would like to send their child to, the results of exam league tables, in this case the results of EEUC and EESMS, is the single most important factor influencing parents’ choice of their preferred school.

The motivation of the active involvement of good schools in school choice is caused by the long time insufficient investment in education by the government. The percentage of GDP devoted to educational budget has long been around 3%. In 2005 it was 2.81% and 2006 3.01% (MOE et al 2007). However, this figure is significantly lower than the 7% seen in the rest of the world. In fact it is well below the average of 4% seen in developing countries in the 1980s. To make matters worse, the funding for compulsory education provided by the central and provincial government combined is less than 3%. The rest of the funding has to be raised by the governments at the township and county level (Liu 2005), a source not so reliable as some poor counties cannot generate enough revenues to support the smooth operation of schools. Reports of delayed payments to teachers are not rare (Li 2006; Liu 2005), which lead to the exclusive release of government documents on this matter (SCO 1997; MOE 2000). According to Shen and Wang’s (2003) research, the annual investment in compulsory education was 75 billion yuan short of what was needed. This is a large figure since the funding for compulsory education in 2002 was about 169.5 billion yuan. Lacking sufficient financial resources from government, some schools have resorted their own ways of acquiring the funds they need which involve building on their reputations and especially selling school places to the choice students.

On the other hand, the collection of choice fees can greatly relieve the government,
especially the local governments, of the burden of having to grant more funding to education, which is a tough decision to make. It is ‘tough’ because many leaders of the local government much prefer to put money into something that can produce immediate results than building educational infrastructure and that can lead to tangible, visible outputs that will illustrate the achievement of their work during their term of office. Efficiency and effectiveness are the main benchmarks in their decision-making when it comes to the ranking of priorities during budget-making exercises. Unfortunately educational development is a long-term process. The effect of education investment may not show in just a year or two. Therefore, in the competition for budget resources, education is at a disadvantage, and the educational budget is often a “left-over budget”.

The government’s official policy on school choice is that there should be no school choice for compulsory education, i.e., in primary schools and junior middle schools while public senior middle schools are allowed to admit up to 30% choice students in accordance with the Ministry of Education’s ‘Three-restriction Policy (restrictions on student numbers, the amount of choice fees, and enrollment scores)’ (MOE, 2002). The tricky thing is that every year education authorities at all levels repeatedly announce that there is no school choice for primary schools and junior middle schools. However, those oversubscribed schools continue to take the choice students who meet their requirements in terms of academic achievement and financial capacity under a different name ‘transient student’, which is allowed as rare cases (NEBa 2007) but which is not rare at all. The widespread use of transient student designation means that school choice is actively taking place in primary schools and junior middle schools. In fact, it can be inferred that there must be a full understanding among those oversubscribed schools, the local education authorities and the local leaders, e.g. mayors or governors in regard to the issue of school choice in general, and the choice fee, in particular. On the one hand, the government needs to express its firm opposition to the intake of choice students at the compulsory stage in order to pacify the public resentment resulting from the school choice by power, guanxi and money, especially the charging of large sums for choice fees. On the other, since the government does not invest sufficiently in education, they have to allow schools one way or another under whatever name to generate the funds for current operations and future development. This internal conflict explains why the intake of choice
students by many public schools is still thriving.

This study will focus on the school choice in junior middle schools in Nanning. The reasons for this choice are: 1) Junior middle schools are key to the subsequent destinations of students because it is their performance at this stage of their education which determines whether they go into academic or vocational senior middle schools or drop out. In Nanning the progression rate of primary school graduates into junior middle schools is 99.9% while that of junior middle school graduates into academic senior middle schools is 64.2% in 2006 (Nanning Yearbook 2006). The latter figure is more than twenty percent higher than comparable progression rate at the national level of 42.06% (MOE 2007). The EESMS determines what kinds of senior middle schools one is entitled to attend: the top ones (demonstration senior middle schools), ordinary ones or poor ones. Therefore, junior middle schools are crucial in preparing students for EESMS. That is, the teaching quality of the junior middle school determines to a great extent one’s chance of getting into the demonstration senior middle school. As noted above, one’s chance of going to elite universities is reduced significantly if one cannot study at the demonstration senior middle school. In Nanning, the progression rate of those top demonstration senior middle school graduates to elite universities is more than 40% while the second-best demonstration senior middle schools is 10-30%. For the non-demonstration senior middle schools it is normally below 4% (Deng 2007). Therefore, choosing those key junior middle schools will give one greater chance of getting better results in EESMS and being accepted by the demonstration school. 2) Senior middle schools normally emphasize the academic achievement of the choice students though the choice fee is also a must in making one’s senior middle school choice come true. The emphasis on academic achievement is reinforced by the recent requirement that the list of choice students and their scores has to be published for public scrutiny (NEB 2007b). The intake of choice students has to be strictly done according to the ranking of EESMS results. Therefore, now it is not easy to make senior middle school choice with only money. In junior middle schools money works if one’s score is average to high and one is willing to donate a substantial amount of money. For the convenience of elaboration, this paper uses the term “key school”, a term that is still widely used in the media and by people in their daily life though no longer used in government documents, to refer to all of the over-subscribed schools, which
include demonstration senior middle schools, former key junior or senior middle schools, and converted schools.

The samples in this study are parents and a headteacher. Students were not chosen as samples because when deciding which junior middle school to attend, it is usually the parents who make the decision rather than their 12 or 13 year-old child.

**Research Aims & Questions**

To explore the effect of market mechanism in the school choice process: What is the association between school choice and economic capital? Who gains more benefits from the school choice by market mechanism? What are the implications from this market-based school choice?

**Research Design**

To answer the above questions this study will select an oversubscribed junior middle school in Nanning as the setting for in-depth analysis. In the first stage, results of exam league tables of all the middle schools in the urban area of Nanning will be examined and oversubscribed schools will be identified. The target school for this study will then be selected base on a) the premise that an oversubscribed school can better illustrate the effect of school choice driven by positional competition and market mechanisms; b) personal relationships, e.g. previous relationship with the headteacher of a particular oversubscribed school that would allow me to access some more information which would normally not be revealed to strangers; and c) logistical factors, such as the convenience of transportation. In the second stage, with permission from the headteacher, questionnaires for parents with return letter will be distributed to students to take home to their parents. Parents will also be asked to indicate in the return letter whether they mind being interviewed about school choice and to provide a telephone number if they agree to an interview. In the third stage, interviews will be conducted with the headteacher and a representative sample of parents to gather data in greater detail in order to explore the hows and whys underpinning the school choice.

**Data collection**
The school in this study is located in a relatively affluent area in the north of the city, an area inhabited mostly by intellectuals. It is one of the top junior middle schools in Nanning, whose average progression rate to the two top senior middle schools is about 38%, according to information on the school’s website. To preserve anonymity, the school is referred as "North" in this study.

A 14-item questionnaire was developed using (a) knowledge from expert sources and (b) a review of literature. The initial questionnaire was pilot tested in January 2008 with 20 participants in order to determine its feasibility and reliability. Then some modifications were made to enhance clarity and to reduce redundancy. The revised questionnaire had 12 structured items (See Appendix). A total of 224 forms were distributed to parents of Grade Two and Grade Three of the North School and 206 were returned in early February 2008, return rate is 92%.

Follow-up interviews with the headteacher of North School and eight parents were conducted in late February 2008. The interviewees were chosen from the respondents who had agreed to be interviewed. Eight out of thirty-five parents who were willing to participate were selected for the interview with each coming from different background of family and profession, which were verified during telephone conversation. Written permission from each interviewee was obtained before each interview. To avoid the interviewees’ unnecessary concern about and anxiety over the use of a recorded interview, the author simply wrote down the interviewee’s responses to the questions and subsequently asked him/her to check those notes at the end of each interview in order to verify that the notes accurately reflected what was said during the interview. Some interviews took place at the interviewee’s office, while others were conducted in the author’s office or somewhere near the North School, depending on which was most convenient for the interviewee.

**Results & Discussion**

The result of the questionnaire is listed in Table 1(see below) [Wu say what these options are to help the reader]

| Table 1   | Result of the Questionnaire |
### Communication présentée au colloque “Penser les marches scolaires”
Rappe – Université de Genève – Mars 2009

<table>
<thead>
<tr>
<th>No.</th>
<th>Option a</th>
<th>Option b</th>
<th>Option c</th>
<th>Option d</th>
<th>Option e</th>
<th>Option f</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Occupation</td>
<td>Profession-al</td>
<td>business people</td>
<td>public servant</td>
<td>worker</td>
<td>farmer</td>
<td>other</td>
</tr>
<tr>
<td></td>
<td>36%</td>
<td>18%</td>
<td>32%</td>
<td>12%</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>2. Annual family income</td>
<td>less than ¥ 15,000</td>
<td>¥ 15,000-25,00027%</td>
<td>¥ 25,000-50,00063%</td>
<td>Over ¥ 50,000</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>3. Having selected school before</td>
<td>Yes</td>
<td>No.</td>
<td>Not sure</td>
<td>76</td>
<td>24</td>
<td>0%</td>
</tr>
<tr>
<td>4. Reasons for choosing present school</td>
<td>Good school quality</td>
<td>High progression rate</td>
<td>Good reputation</td>
<td>Good teaching facilities</td>
<td>Conv-e-nie</td>
<td></td>
</tr>
<tr>
<td></td>
<td>97%</td>
<td>100%</td>
<td>94%</td>
<td>60%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>5. Money for 3 year study</td>
<td>Under ¥ 5,000</td>
<td>¥ 5,000-10,0003%</td>
<td>¥ 10,000-30,00018%</td>
<td>Over ¥ 30,000</td>
<td>61%</td>
<td></td>
</tr>
<tr>
<td>6. Employing private tutor</td>
<td>Yes</td>
<td>No.</td>
<td>Not sure</td>
<td>64%</td>
<td>36%</td>
<td>0%</td>
</tr>
<tr>
<td>7. Taking extracurricular classes</td>
<td>Yes</td>
<td>No.</td>
<td>Not sure</td>
<td>78%</td>
<td>22%</td>
<td>0%</td>
</tr>
<tr>
<td>8. Reasons for taking extracurricular classes</td>
<td>Gaining positional advantage</td>
<td>Making up the weak subjects</td>
<td>Cultivating the child</td>
<td>Improving study</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>72%</td>
<td>31%</td>
<td>25%</td>
<td>48%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Money for</td>
<td>Under ¥ 3,000-8,000</td>
<td>¥ 8,000-15,000</td>
<td>Over</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


As indicated in the table, parents who are professionals and public servants make up two thirds of the sample in this study. Nowadays professionals and public servants normally have received tertiary education. Based on the knowledge they have learnt and the experience have gained, they are quick to realize that in the present society, education plays a very important role in employment and the realization of one’s goal. In general, they adhere to the belief that the more and better education one receives, the more opportunities one will have, and the more likely one will find his/her ideal job. Sun’s (2004) study has indicated that the duration of education is closely related to income: the more education one receives, the more income one will receive. A survey conducted by Beijing Statistics Bureau reveals that the income gap is widening between people with little education and those with higher education. In 2004 the average annual disposable income per capital in Beijing for those with only compulsory education was ¥9,049.8 while that for those with postgraduate degrees was ¥23,567 (Lu 2004). In general, one’s limitation in education makes one less competitive in

Who are the active participants?

Note: Respondents can choose more than one option for Item No. 4 and 8.
the employment market. That explains why parents who are professionals and public servants are the mainstream of school choice in this study, which echoes the results of other research (Yang 2005; Wang 2007).

Eighteen percent of the participants identified themselves as business people. In present day China, more and more business people have university degrees, and are, therefore, aware of the importance of education in preparing for success. For business people who have not received higher education, most probably due to a lack of sufficient financial resources, they are most likely to try their best to provide the best education to their children, so that the children will have an easier time of achieving financial success than they did. Paying choice fees is not a problem for many these business people.

Only 12% of the respondents in the study identified themselves as “Worker”. This observation that parents from the working class families are least likely to be active in school choice is not surprising given their limited financial capability. Most choice students from the working class families gain entrance to the choice school as a result of their academic achievement rather than by paying choice fees. The North school admission policy is that those who rank between No.1 to No.300 in the entrance exam do not have to make a donation, which accounts for the largest part of choice fee, to the North School. Those who rank below No.300 have to donate substantial amounts of money before they can attend the school, the exact amount varies depending on one’s place in the ranking. The lower down in the ranking, the more money one has to pay.

63% of the respondents indicate that their family income is between 15,000 to 30,000 yuan. Since people tend to underestimate their actual income, we can reasonably believe that the true figure should be higher. According to Nanning Bureau of Statistics (NBS 2008), the average disposable income per capital in the Nanning urban citizens was ¥11,877 in 2007. These responses means that their income levels of the parents of those attending North school are well above the average income levels of Nanning residents. Therefore, North students and parents can be classified as representing primarily the upper-middle families who have sufficient economic capital to deal with the choice fees, if needed.

27% of the respondents say their income is between ¥9,000 and ¥15,000, who belong
to the middle income class or lower-middle class depending on which extreme of the scale one is on. Those respondents representing two extremes are in small numbers: 4% and 6% for poor and rich respectively.

Those who identified themselves as professionals as well as public servants correspond closely to those who acknowledge that their incomes are above the average. With substantial income and the anxiety about credential inflation, the middle class parents are trying their best to provide their children with the best education so as to gain positional advantage in school choice in the short run and the employment market in the long run.

While the active participants from the demand side are middle class families, their counterparts on the supply side are the key schools which accommodate most of the choice students. Well-funded, well-staffed, and better-equipped with top-performing students, these key schools can naturally have better turn-outs in exams, and accordingly higher progression rates. From the results of this survey, it can be seen that essentially all respondents regard progression rate as the most important factor in judging whether a school is good or not. The higher the progression rate, the better the school. These key schools match parents’ expectation as they produce much higher progression rate than non-key schools.

**What have they done and why?**

In order to maximize one’s chance of going to elite universities, one needs to attend the senior middle schools of the best quality in the local area. Likewise, to obtain a school place in the top senior middle school, one had better study at the best junior middle school. But it is not easy to follow this strategy due to the limited number of good schools and the limited places in those good schools. For instance, in Nanning there are only two top senior middle schools, whose transition rate to elite universities has average 42-44% in recent years (Deng 2007). Accordingly these two schools are the first choices of many parents’ school efforts, and the competition for entry is very intense. For the year 2007 these two schools enrolled 1,710 students from among 17,500 junior middle school graduates, only one out of ten have made it. In order to have greater chance of entering such top senior middle schools, one had better attend the top junior middle schools. The same logic extends downward to the top primary schools and top kindergartens.
76% of the parents indicated having chosen primary school or kindergarten for their children. It shows that the positional competition begins as early as the kindergarten. It has been confirmed in the interview with Parent E and Parent G.

Parent E: We have selected the best kindergarten in our neighbourhood for our child to make sure he could have a good start in learning the good manners and developing an interest in study.

Parent G: Right from the beginning we have decided that our child attend the key schools at whatever costs it might be. So we sent her to the key kindergarten, then to the key primary school, now to the key junior middle school. Next we hope she can make it to the key senior middle school on her own. If not, then we will surely help her to make it by any possible means within our capability.

The positional competition can also be seen in the taking of out-of-school classes and the employing of private tutor. In response to Question 6 & 7, 64% and 78% of the respondents in this survey acknowledged that they have sent their children to out-of-school classes and/or have employed private tutors for their children respectively. 72% (see Question 8) of them have expressed clearly that the purpose for doing so is to gain positional advantage in school choice and nearly half of them think it will be beneficial to their children’s study at school.

Consider the following words of one parent who was interviewed:

Parent D: The purpose of sending our child to out-of-school English class was to let him have a head start. So when English is taught at school later, he would already know something about it. This, I believe, will give him confidence in learning this course and in answering questions in class.

The high percentage of parents who invest heavily in their children’s after school activities reflects the middle classes’ keen perception of the importance of positional advantages in school choice. 67% of the respondents indicate that the money they spent on these after school activities is between ¥3,000 - ¥8000 while the average annual educational expenditure per capital in Nanning is ¥614 in 2007 (NBS 2008).

**Special talent**

Sending children to out-of-school class may result in another way of going to key schools
by means of being a special talent. In this respect, the notion of special talent opens further
the possibilities of the professional middle class exploiting its cultural capital (Bourdieu, 2006).
In the document released by the local education authority, it is stated that students who are
especially good at certain skills or subjects can be exceptionally enrolled by the target school.
The maximum percentage of such students must be restricted to less than 5% (NEBb 2007).
Although the chance of obtaining key school places by this method is very limited, many
parents do not want to miss any this opportunity. Therefore, many children are sent to learn
one skill or another as early as 4 years old (Zhang 2007).

Parent F: When our child was in the primary school, he did quite well in his study.
Actually he was among the top five. Still we wanted to guarantee that he had some kind
of a talent that could be used as a special permit for school placement in case he had
failed the entrance exam. At first we sent him to weekend classes to learn piano. Later
we bought a piano which cost more than ¥10,000 and paid a teacher to teach him at
home…

The positional competition among family as it relates to special talent is not rare in
Nanning. Many parents have spent a lot of money sending their children to one or more of
those talent training classes. However, most them have not achieved the result they desired.

Parent B: We have sent our child to many talent training classes: painting, calligraphy,
piano, thinking that he could obtain some kind of qualification or win some prizes, which
could be used as a passport to key schools. Unfortunately he didn’t do well enough in
any of them. We have to admit that there are differences in children’s gifts. Our son is not
the kind of person with artistic talent.

Though many parents might anticipate that their effort may not work, they still send their
children to out-of-school classes of one kind of another hoping that their child might be the
one who can make it as a special talent student. This reflects the dilemma discussed by
Brown (2006) that there is an opportunity trap: though the costs are high and the chances of
success low parents believe they have to ‘be in to win’. These parents’ motto seems to be:
One percent chance deserves ninety-nine percent try. Zhang’s (2007) research covering eight
cities in China shows that 51.6% of the children between 4-12 years old have attended after-class activities. Nearly one third of them have taken two or more out-of-school classes.

**What matters in school choice?**

**Progression rate**

The data (See Item 4) clearly show that what is of primary importance to parents who are choosing a school for their children is the school’s progression rate. Good school quality and good reputation usually go together with good progression rate, so 97% and 94% respondents also consider these attributes as major factors involved in choosing schools. Geographical convenience is of much less importance than compared with the first three options, only 8% of the respondents identified it as a major factor.

Other factors, however, are also important to some parents. Consider the thoughts of Parent A.

Parent A: Frankly speaking, there is a big gap between ordinary schools and key schools in terms of the quality of teachers, teaching facilities and other aspects. If one goes to the ordinary primary school, junior middle school and senior middle school, all the ideals one has are very likely to end up in nothing. Well, I don’t mean to say that ordinary schools can never produce talents, but it is a fact that key schools have better students who are not only good at study but also good in other aspects of life. You know, a person is known by the company he keeps. Peer influence is a great influence. One can learn and has to learn better in a key school; while in ordinary schools, one doesn't have strong motivation and pressure to learn well.

Parents A’s words imply that one learns or works better under pressure, and that peer competition in key schools can stimulate students’ enthusiasm to try their best to do well.

**Economic capital**

More than half of the respondents (61%) expect to spend over 30,000 yuan for their child’s three-year study in junior middle school, which is a huge sum of money for working class families. For most choice students, having economic capital is a prerequisite for exercising school choice. Academic capability determines the amount of money a choice student is
supposed to pay. In North School among the six hundred freshmen they take each year, those out-of-zone students who rank within the top 300 are supposed to pay the transient student fee of ¥2,600, which is more than thirty times the normal fee for government-allocated students. Those who are not in the top 300 students have to donate substantially more money to North School. The exact amount is a secret between the school and the parents. According to at least some parents in the interviews, the donation involves at least several thousand yuan. Ten to twenty thousand seems to be common. There is no ceiling on the amount since the donation is supposed to be made “of one’s own accord”.

5% of the respondents indicate that they have either bought or rent a house before for the sake of school choice. Buying a house involves huge amount of money, especially those houses near the key schools. Only rich families can take actions of this kind. Two parents in the interview mentioned that they bought a flat when their child was about to go to primary school.

Parent H: When our child was in the kindergarten, we bought a flat in the catchment area of a key primary school and transfer his hukou¹ there to meet the admission requirement.

The flat cost us about ¥180,000. It is an investment for our child’s education and we believe it will pay off.

In order to boost the local economy, particularly the real estate industry, the municipal government has made some favorable policies encouraging non-local citizens to buy houses in Nanning by giving those buyer(s) Nanning hukou (NPG 2003). With the local hukou, children do not have to pay choice fee or transient student fee if they attend government-allocated schools. This practice is popular in China.

18% of the parents indicated they would spend less than ¥5,000 for their child’s three-year study. It can be inferred that their children must be either government-allocated students who pay the normal fee or the top choice students who enjoy favorable treatment from the school. There are over six hundred students in each grade, among them about one hundred are government-allocated students, the rest are choice students.

Motivation for key schools’ active participation
There are different voices from the headteachers over the issue of school choice. Many are against it while some are its strong supporters. North School is one of the pros. From what is happening in this study and those revealed in the literature (Qiu et al. 2004), the attitude of the headteachers of key schools towards the issue of school choice, particularly the charging – including donation -- of a choice fee is positive. In their opinion, school choice is conducive to the school management and performance in the following three ways:

1) Choice fees are a significant source of funds that can effectively improve the present educational fund-deficient dilemma facing primary and secondary education throughout the whole country. The fact is clearly reflected in the interview with the headteacher.

   Headteacher: The extra funds from the choice fee does help our school a lot in terms of updating the teaching facilities and the purchasing new equipments, the refurbishing of old buildings and the maintaining the campus, etc, to name just a few.

   From what the author saw during his trip to North School, every classroom is equipped with air-conditioners, which is, in general, an uncommon feature in schools of any kind in Nanning. According to Xiao (2005), the total amount of choice fee in China came to at least 27 billion yuan in 2002. Xu et al’s report shows that choice fee accounts for 54% of all the fees paid to schools in Guangdong Province in 2004.

   Economic return is the dominant motive driving schools to cash in on the current school choice fever in China. For those key schools school choice results in a virtuous cycle though it might bring vicious cycle to poor-performing schools.

2) School choice enables schools to obtain some useful social capital as a result of their contact with some influential people in other sectors or government departments, These contacts, in turn, help to govern social relationships and bring the schools more economic benefits, such as the granting of more funds from the local financial department or the offering of organizational donations from the heads of those units who happen to have school-age children in their schools.

   Headteacher: Of course having parents in influential positions would be of great help to our work when we are in need...

   When the school wants to take some action that requires the approval of some government departments, the process proceeds quickly and smoothly if the school happens
to have students whose parents are in such key positions in the bureaucracy and who can facilitate the process.

**Implications**

**Discrepancy between policy and practice**

It is interesting to see that there is a discrepancy between the government policy and the actual practice in schools as far as school choice is concerned. One concerns the giving of the entrance exam, the other the association between donation and school admission. Every year the repetition of no entrance exam in any kind is seen in government documents before the enrollment of new students (NEB 2007b). But this regulation does not seem to be strictly observed. For those key schools taking choice students on ‘first come first serve’ basis is not in their best interest because the applicant pool is so large that they have to use some measurement to identify and take the best ones among them. Those key schools want to make sure that their choice students will maintain if not enhance the school reputation in addition to the large sum of choice fee they contribute to the schools. In order to achieve this, any means such as an exam or an interview is used to skim off the most gifted ones among all the applicants.

In North School the number of applicants is usually seven times more than they can accept. To avoid attracting unnecessary attention resulting from holding an entrance exam with several thousand applicants, they ask the applicants to come at different times on different dates to have an “interview” involving writing and speaking. In this way they attempt to ensure the quality of the choice students. Admission notice are sent to the top students the next day, and to the second-best ones several days later.

The connection of donation with school admission is an open secret. In fact, there is collusion between parents and schools regarding the issue. The education authorities at all levels issue documents every year demanding the separation of the action of donation to the school with the enrollment of choice students (GOSC 1993; NEBa 2007). However, parents, particularly those parents whose children who rank below a certain line set by the target schools, understand that these two are closely related. No donation, no school place. This is a hidden rule. If one objects to making the required donation, it would be wiser for that person to
apply to the second-best schools which require lower or no donation because he/she will in most cases not receive any reply to a school whose request of a donation he/she turns down. No complaints can be made since every one has to sign an agreement indicating that the donation is made of “one’s own accord”. Donation to the development of education is always encouraged by the government (PGGZA 2003), the society and the law (NPC 2002). One respondent says that even if a complaint is successfully made and handled, the child of the parent who files the complaint is unlikely to stay at that school after the school in question is punished for linking a donation with school admission and the parent is fully refunded the amount of the donation. No parents want to take the risk of making a complaint of this kind while their child is still studying at that school. Afterall, obtaining a school place in the desired school for one’s child is more important than vaguer notions of proper procedures and objective assessment. This is the main reason why few complaints have been made to the government so far. These conclusions have also been confirmed by Huo’s (2007) study.

**Perfect cooperation between schools, parents, and government**

School choice in China has long been criticized in the media ever since its prevalence in the 1990s. The government’s strategy for addressing the issue of school choice appears to be stronger in words but weaker in action in their opposition to the practice. Numerous government documents (GOSC 1993; SEC 1995; SEC, 1997) have been issued in an attempt to curb this “unauthorized” practice, particularly the charging of huge choice fees which arouse strong public resentment. Words like “ban” and “no” are repeatedly used together with school choice. But the central government’s policy has met with strong resistance from those schools taking choice students and the local governments who are responsible for the bulk of funding for compulsory education. Therefore, it is not surprising to see that the phenomenon of school choice has not disappeared. Instead, it has come from backstage to center stage. For example, the Ministry of Education has given the green light to senior middle schools to enroll less than 30% of its student body as in senior middle schools. In addition, the Ministry has changed some of the former public key junior middle schools into non-public schools (the so-called converted schools) that can take choice students because non-public schools do not have to take government-allocated students. In fact, the government’s intention on the issue
of school choice is clear, since they cannot grant sufficient funds to support truly quality education, they have to give schools some avenues to generate funds on their own. At the same time, public resentment must be pacified. That is why some government documents concerning school choice conflict with each other (SEC 1996; SEC 1997). The latest document from the Nanning Education Bureau (NEBa 2007) repeats the idea that there should be no school choice during compulsory education but that out-of-zone “transient students” can be accepted by the target school as “a rare case”. This has sent a clear signal which is correctly decoded by all the schools as YES to the intake of choice students, though in different names. It seems that no one knows or cares about how small the population of transient students can be called “a rare case”. In fact, as revealed in this study, the ratio of the transient students (choice students) to government-allocated students is 5 to 1. The result echoes the findings of Xiao’s (2005) study that the percentage of choice students in many public schools is very high. In 2005, it was found to be as high as 88.6%, 85.6% and 81.2% in three primary schools respectively in Guiyang City, the capital of Guizhou Province. As for the parents, there are always people, especially middle class parents, who are ready to pay a high price for their children’s education in their desired school. The largest amount of choice fee is paid in the form of donations, which goes first to a special bank account of Nanning Education Bureau. After keeping 15%, which is supposed to be used for developing the poor schools, the NEB sends the remaining donation back to the schools for the purchase of new equipment and the updating of the old facilities, the refurbishment of houses and the building of new houses. Wang’s (2004) research suggests that the choice fee is also used for the improvement of teachers’ welfare, but it could not be confirmed in this study due to the fact that an outsider does not have the access to the information about usage of the fund and teachers and the headteacher tend to be reticent to talk about it. In some places such as Guangdong Province, in China, the local government keeps as much as 50% of the choice fee (CBEW, 2007). The fact may accounts for the government’s reluctance to impose a complete ban on the charging of choice fee.

Over-sized classes

After taking all the government-allocated students, schools try their best to maximize
school places in order to enroll as many choice students as they can, who meet their admission requirements in terms of academic achievement and financial capability. According to the Ministry of Education, the recommended class size for primary school is 45 and for junior middle schools is less than 50 students (Guo 2007). Due to the taking of too many choice students, who are enrolled through different channels (i.e. money, power or guanxi\(^2\), some classes are too big. In fact, two classes in each grade of the North School have more than 70 students in each of them. This affects both the teachers and students because teachers have more students to take care of in classroom teaching and more students assignments to mark while students have fewer opportunities to interact with teachers. In short the teaching quality is negatively affected by such large classes. It is likely that increased economic benefit is being generated at the expense of the decreased teaching quality.

The phenomenon of over-sized classes is not unique to North School, it is mirrored in other places in the country. In Chen and Dai’s (2005) report, a class in a primary school held 107 pupils, a truly “superclass”, a term commonly used to refer to all the oversized classes in the country. However, this was not the largest class in China. Guo’s study (2007) revealed that among the 83 classes in two senior middle schools in Gaolan County, Gansu Province, seven of them had more than one hundred students in each, with the largest having 143 students. The average number was 75 students in each. Loudspeakers had to be used by some teachers. Many factors contribute to this superclass phenomenon. The mimicking effect of parents in school choice is one of them. As in Guo’s case, after one student won the first place in the province in EEUC of the art stream, many local parents and parents of other regions sent their children to that school. The memo students\(^3\) and connection students\(^4\) who obtain school places by means of political capital and social capital respectively is another cause. But the most important cause is that some schools want to maximize their income of choice fee by taking as many choice students as they can regardless of the decrease in quality of teaching. This example illustrates as the full exploitation of the market mechanism by both the parents who are trying their best to send their children to the key schools by means of mostly paying the choice fee and by the key schools which maximize their school places in order to generate the largest amount of funds possible.
Heavy financial burden for working class families

The charging of choice fee has created a serious financial burden on many lower-middle income families and working class families. According to Nanning Bureau of Statistics (NBS 2006), the average annual disposable income per capital for local urban citizens in 2005 was ¥9,203, 12% lower than that of the country which was ¥10,493 (NBSC 2006). The net income per capital for farmers in the same year was ¥2,677, 18% lower than the ¥3,255 national level. ¥9,203 divided by 12 months is ¥767 a month. The cost of buying daily necessities (food, clothes, etc) amounts to at least ¥300 to ¥400 per person per month. Housing loan and medical care consume a large share of what is left. Therefore, it is really hard for those lower-middle income families and working class families to support a child who is a choice student at a key school. Two parents, one of whom is a saleswoman while the other is a worker, pointed out in the interview that the educational cost for children ranks next to housing.

Parent C: To tell you the truth, the biggest financial problem comes from our child’s education. We have ordinary jobs and our incomes are just so-so. We have had to tighten our budget in order to pay the ¥20,000 choice fee and many other fees.

For families with an average income or less, the burden of paying the choice fees and other related fees is quite heavy. In fact, there are many families in urban areas, who cannot afford such large choice fees, not to mention the farmers, who account for 80% of the total population but who have only one third of the urban income. According to Li’s (2000) research, which involved 150,000 families in 30 provinces and municipalities, found that the average choice fee per student in China was ¥2,921 in 1999, which was half of the annual disposable income per capital that year (NBSC 2000).

Zhao (2005) points out that children’s educational expenditures account for 32.6% of a rural family’s income and 25.9% of an urban family’s income. Note: This is only the average figure. For those working class families whose children are fee-paying choice students, the percentage will be much higher, which puts them under great financial pressure to make both
ends meet.

Causing educational inequality

The current school choice in China shares many similarities with school choice program in many other countries including UK and USA. One of the similarities is the educational inequality that results from school choice. Similar to the fact of increasing social class inequalities in the privatized educational provision and attainment in the United States (Molnar, 1996), the marketisation of education in China has directed the parental choice from meritocratic competition to a largely private competition between families based on wealth.

Most of the respondents admit they have spent or are likely to spend more than 30,000 yuan for the three-year junior middle school study. In addition to this figure, 67% of them have already paid 3,000 to 8,000 yuan for the out-of-school classes and/or the employment of private tutors. Other large expenses include the fee for make-up classes on the weekend, fees for printing test papers and exercises, and the purchase of after-class reading materials, all of which might end up costing a substantial amount. If the relocation strategies are used, the figure would be unthinkable. The amount of money involved in the school choice is a large sum for a working family. So most of them have to give up their choice of a key school. That explains why in this study only 12% respondents are from the working class families.

This study has demonstrated that there is a positive correlation between family income and educational expenditure. In that regard, it has echoes the findings of Dai et al’s (2004) and Li’s (2000) research that the middle class gains more from the school choice programs than does the lower classes. It also supports the findings of Chow and Yan’s (2006) study that income inequality is reflected in educational inequality. In Nanning, the educational expenditure of the low-income group in the first seven months of 2006 amounted to only 24.78% of the average one while that of the high-income group was more than twice as much as the average one (NMBS 2006). The insufficient finances or inappropriate political, cultural and social capitals have disadvantaged the working class in the competition for good schools. There are good reasons to believe that if there is inequality at the start of education, it will bring inequality to the result as well as the process. Yang’s (2005) research involving 40 middle schools in ten cities in China revealed that in 2005 about one fifth of the students enter
key school by paying choice fees or donations. 62% of the middle and upper class families send their children to key schools while about 60% of the children from the lower class families are in non-key schools.

This study has also confirmed the findings of some researches in the West, such as the middle classes’ effort to maintain and improve their social advantages in and through education (Ball, 2003); middle class parents’ perception of a congested market with credential inflation and their anxiety to secure their children’s future (Vincent and Martin, 2002); the government policies which widen the options mainly for the middle class parents (Oría et al., 2007); and the powerful and pervasive influences on education choice processes created by class inequality (Ball, 2003; Reay et al, 2001).

Success in seizing the opportunity to enter key schools has to a great extent become a competition over the economic capital, social capital and political capital that parents possesses. The actual existence of the key school system under whatever names has become a mechanism that reproduces and widens social classes.

Limitations

This study has faced the following constraints. Firstly, North School may not be representative enough of those top key junior middle schools since it has an unusually large population of choice students. Therefore, the findings should be generalized with caution as they may not apply within a broader context. A larger randomized investigation involving key schools, ordinary schools and poor schools would provide a more definitive understanding of the effect of positional competition and market mechanism in the current frenzy over school choice in Nanning. Secondly, the researcher had to design a questionnaire for this study as none existed. The questionnaire failed to address some issues in adequate detail, such as the relationship between income and education and the classification of low income families.

Conclusion

School choice in China is a controversial issue because of the use of market mechanism. This study has demonstrated to a certain extent the effect of the power of positional competition and market mechanisms involved in exercising the school choice in a key junior
middle school in Nanning. Children from middle and upper classes have benefited more from this current practice of school choice in China than their working class counterparts. The issue of educational equity needs to be addressed. A better way of school choice in the interest of most children remains to be found.
Note

1. *Guanxi* refers to the ‘set of personal connections which an individual may draw upon to secure resources or advantage when doing business or in the course of social life’ (Davies, 2003, p.42). The relationships formed by *guanxi* are personal and not transferable.

2. It refers to registered permanent residency (household registration) issued in Chinese mainland. A household registration record officially identifies a person as a resident of an area. It can also refer to a family register in many contexts since the household registration record is issued per family, and usually includes the births, deaths, marriages, divorces, and moves, of all members in the family.

3. It refers to those students who obtain school places by means of a memo written by people in powerful or influential positions to the head of a school or local education authority.

4. It refers to those students who obtain school places by means of *guanxi*.
Appendix

Questionnaire

Please circle the letter of your choice. You can choose more than one option for No.4 & 8.

1. Please indicate which of the followings fits your situation?
   a) Professional   b) business people   c) public servant   d) worker   e) farmer   f) others

2. Your annual family income is
   a) less than ¥ 9,000   b) ¥ 9,000-15,000   c) ¥ 15,000-30,000   d) more than ¥ 30,000

3. Have you ever selected the out-of-zone primary school or kindergarten for your child before?
   a) Yes.   b) No.   c) Not sure

4. The reasons you choose the present school for your child are
   a) good school quality
   b) high progression rate
   c) good reputation
   d) good teaching facilities
   e) convenience (near home)

5. How much are you supposed to spend on your child’s three-year junior middle school study (including only tuition, transient fee and donation)?
   a) less than ¥ 5,000   b) ¥ 5,000-10,000   c) ¥ 10,000-30,000   d) more than ¥ 30,000

6. Have you ever employed private tutor for your child?
   a) Yes.   b) No.   c) Not sure

7. Has your child ever taken out-of-school classes including those in the pre-junior middle school period? (If the answer is No, then go to Question No. 9)
   a) Yes.   b) No.   c) Not sure
8. The reasons for taking out-of-school classes are ____________
   a) gaining positional advantage in school choice
   b) making up the weak subjects of the child
   c) cultivating the child
   d) improving the child’s study at school

9. How much have you spent on those classes and/or private tutor so far?
   a) less than ¥ 3,000   b) ¥ 3,000-8,000   c) ¥ 8,000-15,000   d) more than ¥ 15,000

10. Have you ever purchased or rent a house for the sake of school choice?
    a. Yes.    b. No.    c. Not sure

11. The educational cost of your child amounts to __________ of the total family expenditure.
    a) less than 10%
    b) 10%-30%
    c) 30%-50%
    d) More than 50%

12. Which of the following do you prefer most? Please rank them in the order from most like to least like.
    a) School choice by academic achievement
    b) School choice by proximity principle
    c) School choice by donation / choice fee
    d) School choice by power / guanxi
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