

Development Bottleneck of Independent College under the Background of Private School Classified Management

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Abstract: Since its founding in the 1990s, independent college has become the backbone force of private higher education and higher education massification. The independent college has entered its transformation period with the coming of classified management of private schools and the layout structure of public-private dual track. This study analyzes the bottlenecks facing the independent college, including transferring evaluation, classified management, quality improvement through the empirical survey and literature research.

1. Introduction

In the 20 years since 1999, China's independent colleges have experienced the "dependent period" from 1999 to 2002, the "independent period" from 2003 to 2008, the "transition period" from 2008 to 2017, and the "transformation period" since 2018. In general, independent colleges, a special form of higher education organization, have finished their historical tasks. Since 2018, the Ministry of Education has taken the guidance of "transforming as quickly as possible and transforming as many as possible" for independent colleges. The development of independent colleges has entered a new "transformation period" by maturing one and transferring one to another. This paper analyzes the bottlenecks in the development of running schools in the transformation assessment, classified management and quality improvement of independent colleges under the background of classified management of private schools.

2. Bottleneck in Transformation Assessment

By 2019, there are still 261 independent colleges in China, which accounts for 9.8% of the total number of colleges and universities in China, and 34.8% of the total number of private colleges in China. There are only 68 independent colleges which have been transformed into independent private colleges. In terms of transformation, independent colleges are still facing bottlenecks.

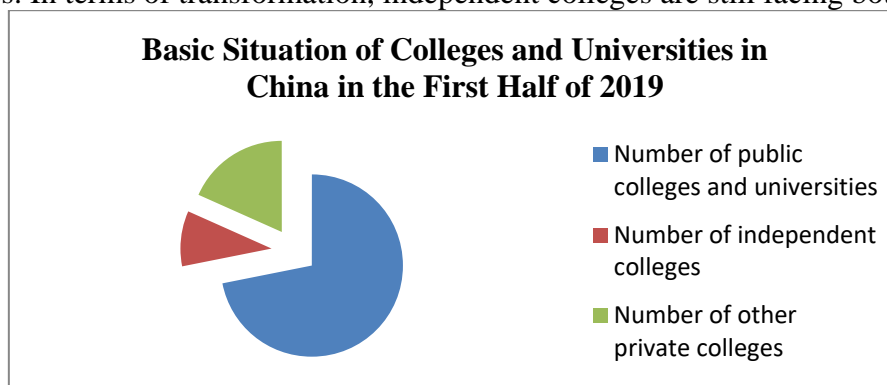


Fig. 1: Basic Situation of Colleges and Universities in China in the First Half of 2019

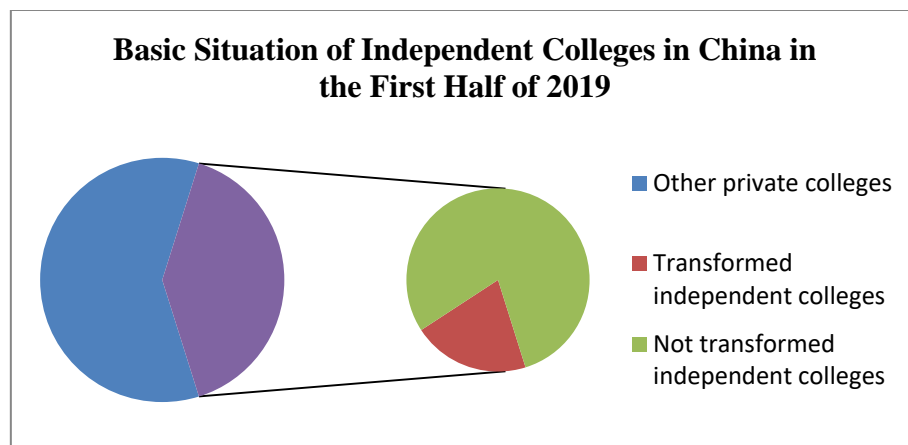


Fig. 2: Basic Situation of Independent Colleges in China in the First Half of 2019

2.1 Diversity of School-running Forms and Complexity of Transformation Environment

At present, there are still a variety of school-running forms in independent colleges across the country. There are five main types. The first is the “private organizer”, namely, the independent college funded by private capital. More than half of the independent colleges in China run schools in this way; The second is "state-owned organizer", which mainly includes the government, state-owned assets units; The third is the "sino-foreign marriage partner", namely, the independent college funded by overseas Chinese from Hong Kong, Macao and Taiwan; The fourth is the "schools-within-schools", which is still exclusively held by the parent school and the assets are owned by the parent school or its foundation; The fifth is the "mixed owner", namely, the independent college with a mix of state-owned assets, private-owned assets, or a mixed model of the government and enterprise and school. Diversified school-running forms and property rights make the transformation environment of independent colleges very complex and the process of transformation is quite slow.

Table 1 Classification Table of Running Forms of Independent Colleges in China

Number	Classification of School Running Forms	Feature Description	Sample Colleges
1	Private sponsors	Funded by private capital	Jincheng College of Sichuan University, Dianchi College of Yunnan University etc.
2	State-owned sponsors	The government, state-owned assets units, etc. are the organizers	City College of Zhejiang University, College of Engineering Technology of Chengdu University of Technology etc.
3	Sino-foreign marriage partner	Funded by Hong Kong, Macao, Taiwan or overseas Chinese	FuJian Music College of HuaQiao University, Cunjin College of Guangdong Ocean University etc.
4	Schools-within-schools	Exclusively held by the parent school and the assets are owned by the parent school or its foundation	Jingling College of Nanjing University, JingJiang College of Jiangsu University etc.
5	Mixed owners	A mix of state-owned assets, private-owned assets, or a mixed model of the government and enterprise and school	Beihai College of Beihang University, TongJi ZheJiang College etc.

2.2 Stakeholder Game, Delaying the Transformation Process

At present, the independent college mainly involves three stakeholders: investors, universities and independent colleges. On the issue of the transformation of independent colleges, the three have different opinions, positions, understandings and interests, which makes it difficult for the

transformation to "work in one direction" and for all parties to "work together". For example, many parent universities regard the independent college as the main support for increasing funding sources and enhancing social impact. Considering the huge "management fee" gains, they are reluctant to give up independent colleges; In view of the long-term contract with the public universities, some investors do not want to lose the "golden signboard" of the parent universities, so they are unwilling to transform; When some independent colleges introduce new investors, many listed companies require profitability. However, colleges and universities are not allowed to choose for-profit, and the examination and approval of the Department of Education is not passed, which results in the suspension of the transformation and cooperation; In order to achieve a true "private superiority", some independent colleges want to transform, but the break-up agreement with the universities cannot be reached and cannot be transformed; Some independent colleges are difficult to "walk independently" and have always wanted to survive in "maternal shelter." In short, the game of all parties has caused the transformation process of the independent colleges to be delayed again and again.

2.3 Unknown Ownership of Value-added Assets, Triggering Disputes over the Transformation of Property Rights

Many agreements for the early co-operation between universities and investors only stipulate the profit distribution during the period of co-operation, but do not mention the property ownership of independent colleges after the expiration of cooperation. However, in the process of rolling development of independent colleges, the scale of running schools and the total value of assets have been constantly expanded, and the accumulated assets have increased from tens of millions to hundreds of millions or even billions of yuan. As for the ownership of value-added assets, there are no clear provisions. This makes the parent universities and the investors argue fiercely on the property right and cannot reach an agreement in the transformation process of some independent colleges.

2.4 Break-up Fee + Transfer Fee, Making the Transform "Worse"

As long as the independent colleges propose to transform, universities often put forward great requirements for "break-up fees", some of which are hundreds of millions of yuan. It is very difficult for the two sides to reach consensus on the transformation, which has turned into "empty promise", which has added obstacles to the transformation of independent colleges. Moreover, according to the requirements of the transformation and classified management of private schools, the transfer of assets (i.e. assets such as land and buildings are transferred from the investors to schools) is an essential link to protect the legal person property rights of private schools. However, it is estimated that the transfer tax of assets of existing independent colleges accounts for 2-3% of the total value of assets. The transfer fee of many schools may be tens of millions of yuan, which increases the capital cost of the transformation and makes it worse. Private school investors have invested a lot of money in public welfare education. Their assets are changed from "left pocket" to "right pocket". In addition, they have to pay high taxes and fees, which is quite unreasonable. At present, only a few provinces such as Heilongjiang and Ningxia have realized "zero fee" in transferring assets.

2.5 The Differences of Provincial Supporting Policies, Making the Impetus for the Transformation not Strong

Now, the progress of the transformation of independent colleges mainly depends on the implementation of provincial policies. For example, Heilongjiang early promoted the transformation through policies, such as increasing enrollment plan, quality engineering construction projects and supporting fund, local legislation of "Promotion Regulations of Heilongjiang Provincial Private Education" and transfer policies of "zero fee". Therefore, the transformation process of independent colleges in the three northeastern provinces and Hubei provinces is relatively fast. However, to further accelerate the transformation of independent colleges, it is still necessary to introduce more specific and feasible policies at the national level to break the bottleneck.

2.6 The Complexity of the Transformation Assessment, Making It Unfavorable to "Transform As Quickly As Possible"

Accordance to the current policy, the transformation of independent colleges need to prepare the Application Report, the Argumentation Report and other kinds of certification materials. Moreover, the colleges should also provide materials such as the Official Document on the Approval of the Transformation of Independent Colleges by Host Universities, and the Formal Agreement on the Relationship between Responsibilities and Rights after Transformation between Universities and Independent Colleges. As mentioned above, if the host universities do not let go of the independent colleges or the "break-up fee" is not properly negotiated, then the independent colleges cannot transform. Even if the negotiation is successful, it will take at least one year to complete the complex procedures from transformation application, preparation review, expert admission, government approval, etc., which is not conducive to the independent colleges to "transform as quickly as possible and transform as many as possible".

3. Bottlenecks of Classified Management

3.1 Without Transformation of Independent Colleges, Making It Unable to Choose Independently

According to the basic direction of the current state's classified management of private schools, the situation of independent colleges is relatively embarrassing. Firstly, in accordance with the relevant provisions of the Regulations on the Implementation of the Law on the Promotion of Private Education (Draft for Opinions), if the parent school of an independent college does not withdraw from an independent college, the independent college will not be able to make its own choice. Secondly, for the mixed form of independent colleges, if there are different demands for the choice of subjects, it is impossible to choose from the same starting line of classified management with other ordinary private colleges and universities. Thus, if independent colleges are not transformed in time, they will not be able to choose classified management independently, which will hinder the implementation of classified management policy. For example, according to the policies of Sichuan Province, all private schools must be classified before September 2020. The existing 9 independent colleges have all been included in the scope of the "13th Five-Year Colleges' Planning". However, in practice, it is very difficult for nine independent colleges to complete the transformation before September 2020.

3.2 The Contradictory Spiral of Capital and Policy, Influencing the Classified Management of Independent Colleges

In February this year, China Xinhua Education won the bid for the organizer of Hongshan College of Nanjing University of Finance and Economics. In July, China Chunlai Education won the bid for the organizer of Tianping College of Suzhou University of Science and Technology. On the 25th, China Education Holdings acquired the organizer of Chongqing Nanfang Translators College of Sichuan Foreign Studies University. There are also some independent colleges that have not been reported in the news that have realized "change of ownership" in the past year or two. Capital market's rapid acquisition of independent colleges will, for the most part, realize long-term capital gains through profit-making in the classified management in the future. However, this runs counter to the original wish of the classified management of the central private education. In accordance with the relevant provisions of the Regulations on the Implementation of the Law on the Promotion of Private Education (Draft for Opinions), "public schools shall not establish or participate in the establishment of for-profit private schools". In fact, this clarifies that independent colleges must be non-profit private schools. The contradictory spiral of capital and policy has affected the classified management of independent colleges to a certain degree.

3.3 Taxation in the Transitional Period of Classified Selection, Harming the Policy Fairness

According to the survey, some provinces, such as the IRS of Sichuan, require that the existing private schools should pay enterprise income tax according to tuition income before choosing for-profit and non-profit, and the proportion of tax payment is 25%. It is reported that from 2017 to 2018, private colleges and universities in the province (including independent colleges) have been

notified by the IRS that they must pay corporate income tax in accordance with regulations. And the actual amount and proportion of taxes paid by each school are different. However, this situation has not occurred in most provinces and municipalities, such as Shaanxi, Hebei, Zhejiang, Jiangsu, Shanghai, Chongqing and Guangdong, which has resulted in unfairness to private schools in some "tax-paying" provinces.

4. Bottlenecks of Quality Improvement

4.1 Financial Dilemma, Influencing Quality Improvement

In the past, independent colleges have long been "blooded by two pipes" by parent universities and investors. In particular, the proportion of "management fees" collected by parent universities across the country has ranged from 10-40%. After the introduction of the new law of Private Education Promotion Law, investors can no longer take "reasonable returns". However, the "management fees" paid by many independent colleges to their parent universities are still being implemented. At present, the per capita training fee for public universities has exceeded 23,000 (16,000 financial allocation + 5000 tuition fees + 2000 miscellaneous fees). However, the per capita training fee of independent colleges is less than 10,000 yuan (15,000 tuition - thousands of management fee). This is not only contrary to the spirit of the Private Education Promotion Law and the forthcoming Regulations on the Implementation of the Law on the Promotion of Private Education (Draft for Opinions), but also not conducive to the independent development and quality improvement of independent colleges.

There are some provinces that give "sunshine to the private schools, not independent colleges", and independent colleges do not enjoy the supporting policy of private education. For example, during the "Twelfth Five-Year Plan" period in Shaanxi Province, 300 million yuan of private higher education funds are set up every year, but independent colleges are not in the scope of awards. By contrast, the quality of independent colleges in Shaanxi has also encountered bottlenecks.

4.2 Teachers' Dilemma, Influencing Quality Improvement

The subjects of full-time teachers in independent colleges is usually the fresh master, doctoral graduates and retired teachers from public universities, and there is a lack of outstanding middle-aged and young backbone teachers. Since the teachers of independent colleges are of "private" status, they have not yet enjoyed the "national treatment" of teachers in public universities, and there is a big gap in retirement benefits, scientific research projects, training, commendation for excellence, international exchanges and so on. This leads to the situation that it can not be recruited and remained. On the one hand, the school funding is tight, and it is impossible to provide the same level of salary and benefits as public universities to attract high-level talents; On the other hand, some excellent young teachers, who have been trained with great efforts over the years, will flow to public universities once they have the opportunity after their academic qualifications and professional titles are promoted and their teaching experience is rich. Thus, private colleges have become the "training base for teachers and talents" of public universities.

4.3 Dependence Dilemma, Influencing Quality Improvement

It has to be admitted that there are still a large number of independent colleges in China that are still under the development mode of "schools-within-schools" or "endogenous type". In other words, they are held by the parent universities, lack of autonomy in running, and have not achieved true independence, and still have the problem of "path dependence" on the parent universities. This is a concept of new institutional economics, also known as path dependence. Its specific meaning is that the technological evolution or institutional change in human society is similar to the inertia in physics, that is, once entering a certain path, whether "good" or "bad", it may be dependent on this path. For some independent colleges with dependence dilemma, there are bottlenecks in how to develop in the future and how to improve their quality.

4.4 Evaluation Dilemma, , Influencing Quality Improvement

Although the independent college has been in existence for more than 20 years, some members of the public still do not have a clear understanding of them. For example, the "oolong incident" in the application and enrollment of the college entrance examination in Zhejiang in 2018 shows that the

public still has a "cognitive blind spot" for independent colleges; The "deformity and freak existence" of the independent colleges' "independence of both public and private" is also an evaluation of the public and even the insiders; Some media reports on independent colleges, which often highlight negative criticism rather than positive guidance. These are not good to the establishment of the brand and reputation of independent colleges. Therefore, the evaluation dilemma is also an influential factor that hinders the development and quality improvement of independent colleges.

In conclusion, in order to break the bottlenecks of the development of independent colleges, it is a wise move of the Ministry of Education to support, promote and accelerate the transformation of independent colleges. However, this requires the cooperation of all parties, policies first and schools' cooperation. Only in this way can we really accelerate the process of "transformation" and further promote the healthy development of private higher education in China.

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