

Double Reduction policy in China: an increase in fertility or informality?

China has long been known for the high levels of academic pressure faced by students of all ages. Since the first days of kindergarten, great emphasis is put on the academic achievements of pupils: good results are the only way to win the harsh competition present in the education system and succeed in adult life. Yet, desired academic results are mainly obtained by attending off-campus private courses and spending several hours to complete homework (Hatch, 2021).

In line with the rising requests of Chinese parents, recent years have witnessed the rapid expansion of the private tutoring industry (BBC News, 2021). The services provided by the industry have been widely appreciated thanks to the vast range of extracurricular tutoring programs offered to elementary and middle school students, such as foreign language instruction and preparation for high school and college entrance exams. To give a concrete example, China's live tutoring app *Yuanfudao* raised more than \$2 billion from investors in 2020, growing to be worth \$15.5 billion with 30,000 employees and more than 400 million users (Mascarenhas, 2020). Yet, instead of reducing academic pressure, the rise of off-campus learning companies has created further anxiety, since parents have started being bombarded with advertisements grounded on manipulative marketing tactics. The explosive growth of the sector has thus forced many families to invest in tutoring training, either by following their will or under the pressure of the society. Consequently, in the last decades the educational costs of raising children have become so elevated that young Chinese couples have started refusing to have more than one child. While these fertility choices would have been perfectly in line with the population planning initiative implemented between 1980 and 2015 (Greenhalgh, 2005; Fong, 2015), it is now creating problems for a government that wants parents to have more children to relieve the challenges of a rapidly ageing population (McDonnel, 2021; Mikesell, 2021).

Therefore, as the rapid and unrestrained growth of costly tutoring activities has started worrying demographers (China SCIO, 2021), throughout 2021 major warnings have been sent to the private tutoring industry; first, in March, the Government introduced strict caps on tutoring fees and, in May, it charged fifteen tutoring firms with US\$5.73 million in fines (Mikesell, 2021). Not satisfied by the current regulations, in July the Chinese Ministry of Education released a policy document announcing the implementations of stricter restrictions (MOE, 2021).

Known colloquially as *shuāngjiǎn* (Yan, 2021a), the “Double Reduction” policy aims at addressing the most salient issues of the Chinese education system, by freeing families from the economic burden of private tutoring and by protecting the physical and mental health of the next generations (Hatch, 2021). However, the timing of the implementation may indicate a political move rather than the willingness to increase citizens' welfare. In fact, in May 2021, China announced its new three-child policy and, in order to promote higher rates of fertility, the Government ensured families that policies would have been implemented to lower child-raising costs (McDonnel, 2021).

At this point, one might now be wondering whether strict regulations on private tutoring are the optimal solutions to decrease the costs of education and change the fertility decisions of young couples. The goal of this essay is thus to answer this question by evaluating the Double Reduction policy and its short-run outcomes (both the biased one reported by Chinese authorities and the actual ones reported by international newspapers), as well as by providing some realistic alternatives to reach the desired results.

The Double Reduction policy

Given that an average Chinese household spends more than 50% of its total monthly budget on extra-educational expenses (Mikesell, 2021), the implementation of the Double Reductions policy is intended to reduce the economic burden of education (MOE, 2021). To reach this goal, the policy focuses on the rising education pressures faced by students who are enrolled in K-12, the compulsory Chinese education system¹ (Glavin, 2014; Yan, 2021a). To address the concerns of competition within K-12 years and make sure parents do not feel forced to pay extracurricular courses, the Double Reduction policy relies on four radical key points (Hatch,

¹ K-12 is an American expression that indicates the range of years of public primary and secondary education. Similar K-12 systems can be found in other countries. In China, K-12 includes kindergarten, six years of primary education and three years of junior secondary education (Galvin, 2014).

2021). Firstly, the policy mandates a reduction in the amount of school homework, as well as time dedicated to it. Secondly, it decrees free after-school care for K-12 students, by requiring schools to offer recreational activities and evening self-study programs. Thirdly, it outlaws frequent formal exams and rankings in Chinese schools during compulsory years. Fourthly, it strictly regulates private tutoring, by banning tutoring companies from going public and making profits (i.e. being for-profit organizations), by forbidding any tutoring during weekends and winter/summer breaks, and by preventing teachers from providing any charged tutoring service (Hatch, 2021).

Official (potentially biased?) results

After nearly one semester of implementation, policymakers have started analyzing the first effects of the Double Reduction on the life of Chinese citizens. As a matter of fact, improvements have been taken seriously. Schools and teachers have shown their efforts to reduce academic burdens without leading to a decline in academic performance: across the country, homework assignments have seen significant changes, especially in terms of reduced quantities and increased quality. At the same time, parents have apparently changed their past behaviors by stopping making their children study overtime or signing them up for many private tutoring classes. In a survey conducted by China Youth Daily (2021), over 65% of parents said they would no longer add the burden of extra schoolwork to their children's weekly schedules.

Moreover, during a press conference on December 21, Mr. Yugang, a Ministry of Education official, announced the striking responses gathered from 77.14 million questionnaires completed by Chinese parents (China SCIO, 2021). Based on the declarations of Mr. Yugang, 97.3% of Chinese parents are satisfied with the work schools have been doing to reduce the burdens on students and improve the quality of education (China SCIO, 2021). For the first time in decades, about 70% of Chinese parents claimed formally that they believe it is necessary to establish the parenting concept of "health first"; 66% said they would accompany and encourage their children to join in after-school recreational and sports activities; finally, 72.7% agreed that their anxieties about education have been eased thanks to the new policy (China SCIO, 2021).

However, since China is an authoritarian state characterized by totalitarian surveillance and dictatorship (Nathan et al., 2013; Teets, 2014; Tang, 2016; Truex, 2016; Mattingly, 2019), one

might be questioning the degree of freedom parents had when answering the questionnaires. Other sources, such as the South China Morning Post based in Hong-Kong, show how parents have started demanding for substitute methods to private tutoring, to which their children are accustomed (Yan, 2021b). In other words, the Double Reduction policy has not only hindered for-profit tutoring firms but has also damaged students' routines and wrecked the whole compulsory Chinese education system. Hence, to respond to parents' requests, the Chinese Ministry of Education has decided to leverage its own online learning programs, hoping to provide primary and secondary school students with high-quality resources free of charge (China SCIO, 2021). Unfortunately, nationalizing the sector and switching to governmental online tutoring has not been sufficient to cover the requests of families. As in many cases, going public is correlated with a decrease in output, efficiency, and quality (Megginson & Sutter, 2006): private tutoring companies have in fact been a pillar for households, and their teaching methods – despite being expensive – were highly appreciated since leading to the expected results.

Nonetheless, as the market always finds a way to supply what consumers reclaim, many teachers have continued doing their job... informally. Therefore, although the Chinese Government claims that full coverage of after-school services has been achieved, new issues might be arising.

Private tutoring ban and its real consequences

The Double Reduction policy has contributed to what has been described as the downfall of the Chinese tutoring industry: an industry estimated to be worth more than 400 billion RMB² lost more than 90% of its market value in just one day (Albert, 2021; Hatch, 2021). Yet, while banning tutoring services was meant to eliminate some of the educational costs, parents have actually revealed that the new rules are simply creating new anxiety, especially for families that depended on the after-school programs (Stevenson & Li, 2021). Moreover, parents have claimed that most students will actually continue to face the same workload and pressure as before – but now without the same access to industry resources (Yan, 2021a). Although after-school tutoring was expensive, at least it was a solution for dealing with the education competition that persists in China.

² RMB is an abbreviation for Renminbi, the official currency of China. In July 2021 (before the implementation of the Double Reduction policy), 1RMB corresponded to 0,13€. Hence, 400 billion RMB corresponds approximately to 55 billion €.

Of course, some families welcomed the policy in relief; however, the vast majority seemed to have gotten even more concerned as they now feel obliged to pay more to find private informal tutors. In the first weeks of enforcement, international media (Reuters, 2021; The New York Times, 2021) have reported various ways through which parents and tutors have tried to circumvent the rules. These included hiring private tutors in the guise of “housekeeping services”, “cultural communication” or “live-in tutors”, as well as conducting classes in the name of summer camps or study tours (Reuters, 2021). To ensure the enforcement of the policy, local governments have been encouraged to report violations and infractions. At the end of September, the Ministry of Education announced that many attempts to evade the regulations have been identified and punished (Yan, 2021b). However, it is clear that, in spite of Beijing’s strict restrictions on private tutoring, Chinese parents are still hiring underground tutors to obtain better scores for their children and to prepare them for future university entry exams (Yan, 2021b). Since July 2021, the cost of high-quality education in China has undergone an exponential increase; yet, the new profits are not taxed nor monitored by the Government.

Unintended and unexpected: Informality

When a government imposes a regulation – especially in an authoritarian regime as China –, it assumes the policy will be applied by all targeted agents. Yet, it is common that strict regulations might not be abided by everyone. In fact, consumers might keep demanding for a specific good or service, even if the market should not provide it anymore. Hence, demand could incentivize producers/providers to continue their activities without being registered or monitored by any form of government: this situation is referred to as *informality* and is common in developing countries.

If, in general cases, informal firms (or agents) compete with formal firms and make competition unfair, the situation analyzed in this essay is slightly different. In fact, while formal tutoring companies are forced to become no-profit, teachers who operate in the informal market might ask for high financial recompense (Yan, 2021b). This is typically done under the claim that no-profit or public institutes do not provide high-quality extracurricular services, since teachers are not motivated financially to furnish ad-hoc services. Hence, individuals working in the informal sector are harming the initial positive goals of the Double Reduction policy, by pushing parents to spend even more on education. It could be argued that the introduction of the Double Reduction policy has thus created more concerns than before: the strong demand for tutoring remains constant and informal solutions arise, with parents afraid to risk their

children's future given the fierce competition for the best scores, the best schools, and the best educational support and resources (Hatch, 2021). In other words, the imperfect regulatory design of the Double Reduction policy has strongly impacted its own enforcement, leading to unintended and unexpected negative consequences.

A more realistic alternative

Regulations such as the one included in the Double Reduction are theoretically successful but are fundamentally limited by asymmetric information and weak institutions (Wren-Lewis, 2021b). Unsurprisingly, several examples related to partially enforced regulations are present in the literature (Wren-Lewis, 2021a). For instance, in the field of urbanization, Collier and Venables (2015) showed that anglophone African countries inherited inappropriately stringent regulations on housing: instead of solving issues related to the housing market, such rules led to the creation of a large informal sector. Still, while African countries might tolerate the existence of informality (Collier and Venables, 2015), the situation seems slightly different for the Chinese authoritarian regime. Hence, more than in other developing countries, Chinese policy makers should have forecasted the possible scenarios driven by imperfect enforcement of the Double Reduction policy. Consequently, given that partially enforced regulation could be worse than no regulation at all, one could argue that the Double Reduction restrictions might not have been the optimal solution to reduce the economic burdens of education.

A possible explanation to this apparent unsuccess³ is that, in developing countries, "*if competition is problematic, regulation may be worse!*" (Wren-Lewis, 2021c). In this specific case, the competition between private tutoring companies is driven by an education system that is failing in many ways: competing on the hours primary schools' pupils will spend studying at night and the price parents are willing to pay shows that the institutional structure has failed its main goals. Thus, creating a regulation that does not solve the problems a priori, but tries to control one of its consequences, has many chances to fail.

If the Government wants to reduce education costs and change the current fertility norms, it should consider a deeper reform in the education systems. China has always put a heavy emphasis on rigid learning methods followed by standardized tests, which are seen as an agony that must be gone through in order to advance rather than as a vital part of a learning process

³ The notion "apparent unsuccess" refers to the declarations made by individuals to foreign newspapers, as well as the claims made by the Ministry of Education in September 2021. We do not really consider the answer to the Chinese questionnaire, or the survey conducted by China Youth Daily (2021), since they might be biased.

(Smith, 2018). China's focus on standardized testing has not only led to a teaching style that emphasizes memorization rather than critical thinking, but has also created one of the most competitive academic systems in the world (Smith, 2018). However, given that a complete change in the Chinese education system does not seem feasible in the short run, the restriction on private tutoring should be rethought and the implementation of competition between for-profit institutes should be preferred. While bans would lead to an increase of informal workers and to an amplification of the problem, fair competition could achieve reductions in prices and allow for improvements in self-reported service quality (Busso & Galiani, 2019). More specifically, regulated competition could be envisaged as a realistic option, since students would be able to attend high-quality extracurricular activities without private companies exploiting academic pressures to increase profits.

To conclude, it seems clear that child-raising costs, rather than birth restrictions, are now the main cause of declining birth rates in China (Auto, 2021). Giving birth to a child is essentially an economic decision, where the costs and benefits of children are playing a key role for the final fertility choices. Yet, the regulations implemented until now, such as the Double Reduction policy, are apparently having the opposite impact than wished. As long as Chinese education relies on intense competition to attend top-tier universities, any extreme policy aimed to contain the consequences of the system will be harmful and increase costs in an irreversible way.

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