

# A Study on the Mixed Ownership Reform in Vocational Colleges in China

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## 중국 전문대학의 혼합소유제 개혁에 관한 연구

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**Abstract** The reform of the mixed ownership system of vocational colleges in China is an important driving force in the development of vocational education. The purpose of this study is to discuss the operation direction of the reorganization of the mixed ownership system of vocational colleges at this stage in accordance with the guidelines for vocational education reform in China. Therefore, this study analyzed the necessity and existing problems of reforming the mixed ownership system of vocational colleges using literature research methods. As a result of the study, it was found that the reform of the mixed ownership system of vocational colleges should be continuously developed by preparing measures in terms of legal support, providing incentives, and improving the evaluation system. This study has academic and practical significance in that it suggests the need to reform the mixed ownership system of Chinese vocational colleges, analyzes problems, and prepares policy measures.

**Key Words** : Vocational Colleges, Mixed ownership reform, Necessity, Problem, countermeasures, China

**요약** 중국 직업대학의 혼합소유제 개혁은 직업교육 발전의 중요한 원동력이다. 본 논문의 목적은 중국 직업교육 개혁의 지침에 따라 현 단계의 전문대학 혼합소유제 개혁의 운영방향을 논의하는 것이다. 따라서 본 연구는 문헌연구 방법을 활용하여 전문대학의 혼합소유제 개혁의 필요성과 존재하는 문제점을 분석하였다. 연구결과, 전문대학의 혼합소유제 개혁은 법률지원, 인센티브 제공, 평가제도 개선 등 측면에서 대책을 마련하여 지속적으로 발전시켜야 한다는 것을 발견하였다. 본 연구는 중국 전문대학의 혼합소유제 개혁의 필요성을 시사하고 문제점을 분석하였으며 정책적 대책을 마련하였다는 점에서 학술적×실무적 의의가 있다.

**주제어** : 전문대학, 혼합소유제 개혁, 필요성, 문제점, 대책, 중국

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## 1. Introduction

Higher vocational education has both higher and vocational attributes. It has the dual advantages of higher education and vocational education. The status and role of vocational education are becoming increasingly prominent, which has become a general consensus in the academic circles [1]. The national vocational education reform implementation plan issued by the State Council in 2019 points out that: "As China enters a new stage of development, industrial upgrading and economic structure adjustment are accelerating. Vocational education has basically completed the transformation from being mainly organized by the government to an overall management by the government and diversified schools run by the society [2]. Social forces are supported and standardized to set up vocational education and training, and Vocational colleges and various vocational training institutions such as joint-stock and mixed ownership are encouraged to develop".

However, the mixed ownership reform in vocational colleges has developed slowly in recent years, and the reform has encountered some practical obstacles. The mixed ownership reform in the field of education follows the pace of the mixed ownership reform of state-owned enterprises, but it is far from keeping up with the process of the mixed ownership reform of state-owned enterprises [3]. In the practice of mixed ownership reform in higher vocational colleges, there are some phenomena, such as low enthusiasm of enterprises to participate, low enthusiasm of teachers to participate in the school mixed ownership reform, and it is always difficult to implement the return of shareholders and the property rights of legal persons [4]. In the attempts of mixed ownership reform in some higher vocational colleges, a considerable part is the nominal "mixed ownership reform" that does not involve equity [5]. The purpose of the mixed

ownership reform of vocational colleges is to enable higher vocational education to enjoy the reform dividend released by the state, enhance the willingness of social forces to participate in the mixed ownership reform of higher vocational colleges, increase the school running vitality of higher vocational colleges, and finally benefit students. The mixed ownership reform of higher vocational education should go on. How to adhere to the mixed ownership reform of marketization and rule of law on the basis of adhering to the party's leadership, following the market logic, is the key to the success of the mixed ownership reform of higher vocational education.

According to the guidance of the national vocational education reform, this paper aim to discusses the school running direction of the mixed ownership reform of vocational colleges at the present stage.

This study has academic and practical significance in that it identified the problems and analyzed the direction and path of mixed ownership reform in Vocational colleges in China.

## 2. The necessity of mixed ownership reform

The reform of higher vocational education cannot be grasped at once, so the key question is: in which direction is the reform more likely to achieve a breakthrough? The mixed ownership reform of Vocational colleges involves the goal integration of basic educational attributes such as "educating people" and economic attributes such as property right structure, the reconstruction of the relationship between multiple school running subjects such as government, enterprises and colleges, and the systematic reform of the top-level school running

governance structure and micro education links of higher vocational education [6]. Since the reform is "trial", it is natural to look for more feasible problem-solving ideas at this stage from historical practice. The reform of mixed ownership in vocational colleges is an important embodiment of the integration of industry and education, which is in line with the internal operation law of vocational education. Vocational colleges have a natural close relationship with the market from the talent training mode and direction to their own organizational construction. In China's new round of economic system reform, the CPC Central Committee and the State Council emphasize the role of the market in allocating resources. In the field of education, it also emphasizes the market allocation of resources as the goal of the mixed ownership reform of higher vocational education. The mixed ownership reform of vocational colleges should grasp this general direction, give full play to the ability of the market to allocate resources, optimize the allocation of vocational education resources, improve the level of vocational education guided by promoting national high-quality employment, and become an important engine to serve China's social and economic development.

The most fundamental interest of state-owned capital is to promote the preservation and appreciation of state-owned assets in order to enhance the welfare of the whole society [7]. In recent years, the state-owned enterprises have successfully promoted the mixed ownership reform, the operation efficiency of enterprises and the effective appreciation of capital. In contrast, the mixed ownership reform of higher education is slow. One of the main reasons is the conflict between the public welfare of education and the profitability of capital. From the perspective of the welfare of the whole society, the greatest public welfare is the effective

allocation of resources, expanding the scope of benefits and benefiting more people.

The national vocational education reform implementation plan (2019) points out that: "In the school enterprise cooperation, the school can obtain intellectual, patent, education, labor and other remuneration from it, and the specific distribution shall be handled by the school itself according to the regulations [2]. If the investment of the pilot enterprise in setting up vocational education meets the conditions, the education surcharge payable by the enterprise in the current year and the local education surcharge can be credited according to a certain proportion of the investment. Cultivate the social environment in which the enterprise undertakes the responsibility of vocational education and promote vocational education Institutions and industry enterprises form a community of destiny. " At present, the investment in higher vocational education is large, and the school running funds have been fully guaranteed. From the perspective of dynamic mechanism, especially for the eastern and southern China where higher vocational education is more developed, the main contradiction of higher vocational school running is not the lack of funds, but the need to improve the school running efficiency. The driving force for enterprises to participate in school running is in addition to the "Finance + Finance + land + credit" given by the government to enterprises The enterprise also hopes to participate in mixed ownership school running and take education as an important part of its enterprise development [8]. On the one hand, it can enable the enterprise to realize diversified operation and obtain social reputation and capital income through vocational education; on the other hand, it can further realize the integration of industry and education, improve the level of talent training and cultivate more talents that meet the needs of the market Seek more students to benefit more

students, so as to expand the welfare of the whole society.

### 3. The problem of mixed ownership reform

#### 3.1 Inefficient use of funds

There are obvious differences in structural value between Vocational colleges with mixed ownership reform and for-profit training institutions with corporate system. Milton Friedman (1991) proposed that the terms for-profit and non-profit should be withdrawn from the vocabulary of higher education together, because the words tax and tax exemption are more realistic [9]. At present, the income of most mixed ownership reform vocational colleges is not only tax-free, but also enjoys a large number of financial subsidies such as per student appropriation like public higher vocational colleges, which fails to truly realize market-oriented independent revenue and expenditure. Since they enjoy the same financial treatment as public higher vocational colleges, the financial management system of many mixed ownership reform vocational colleges has basically followed the original system of public colleges.

On the one hand, the financial autonomy of mixed ownership reform vocational colleges is limited [8]. Teachers and staff need to go through the government procurement process when purchasing instruments and equipment, and need to be approved at all levels when purchasing social services. Many links have greatly increased the procurement cycle and the use efficiency of funds. At the same time, due to the need to go through the procurement process, some teachers will buy more materials for use from time to time in order to avoid cumbersome procedures, often resulting in a lot of unnecessary waste; On the other hand, at the end of a fiscal year, if there

are surplus funds, it may have an adverse impact on the budget of the next year. The superior department has a certain assessment on the implementation rate of the use of funds. Generally, the budget for the coming year is based on the expenses of the previous year. If the managers of mixed ownership reform institutions do not have an incentive mechanism to improve capital efficiency, they will spend money wantonly near the end of the fiscal year and fall into the circle of consumption motivation. The initial intention of mixed ownership vocational colleges is to cultivate talents and achieve the success of market operation. The efficiency of fund use is an important embodiment of the efficiency of running a school, which should be consistent with the development of the school and social interests. Therefore, the fund use efficiency of Vocational colleges in the reform of mixed ownership needs to be improved.

#### 3.2 Imperfect incentive mechanism

In the mixed ownership reform, the incentive mechanism in vocational colleges is also imperfect. Although some vocational colleges participating in the reform of mixed ownership have made many beneficial explorations on the incentive mechanism of management, there are still some problems, such as insufficient incentive and restraint [10]. On the one hand, the performance evaluation mechanism of leaders and core managers in mixed ownership reform vocational colleges is not perfect, the incentive form is single, there is a lack of scientific and reasonable evaluation indicators and system, there is a lack of clear incentive basis, and few schools choose equity incentive; On the other hand, most of the leaders of Vocational colleges with mixed ownership reform are appointed by higher education authorities rather than through competition in the market, and have a certain administrative level. Even if the school is poorly

managed, they are rarely removed from their leadership positions. Therefore, the incentive and restraint mechanism of managing the human market usually has little effect on school managers. School administrators lack the necessary market competition pressure. Moreover, the government and education authorities have too much administrative intervention and market assistance to schools, and the warning and restraint effect caused by the unfavorable running of schools is seriously insufficient [11]. In addition, while the status, prestige, responsibility and power of school managers have been effectively affirmed, the situation of ranking according to seniority and even occupying positions and not doing anything is still common, which makes it difficult to reflect the real value of each teacher in performance. The nature of the institution of the school also leads to the lifelong system of teachers' identity, and the personnel often can't get in or out, only rise but not fall. As long as there are no major problems in Teachers' ethics and style, there is basically no exit mechanism for teachers' identity. In reality, it will be found that the teachers and administrative personnel of the original employment system are considered "ashore" after obtaining the career establishment or senior professional title, resulting in lax work. If they are late in work, the herding effect will gradually highlight, which hinders the school efficiency of higher vocational colleges.

### 3.3 Unclear evaluation system

As we all know, in the same higher education system, the talent training and service functions of vocational colleges are obviously different from those of "double first-class" scientific research universities. The main energy of scientific research universities is to promote the production of knowledge and scientific progress by means of basic research, applied research, experiment and scientific discovery [12].

Vocational colleges mostly cultivate applied talents with knowledge and skills. Using the existing knowledge to solve practical problems, in addition to the cultivation of applied talents, it also includes vocational training, the acquisition of vocational certificates and the certification of professional qualifications. The focus of mixed ownership reform in higher vocational colleges, especially the deep integration of industry and education, students' training should be more employment oriented, close to the market demand and response to talents in running schools, and provide market-oriented education and services [13]. George Alva (2000) put forward: "in vocational colleges, there is a professional and transactional relationship between students and schools. The characteristics of this relationship are to facilitate students, pay attention to cost-effectiveness and time efficiency in the service and education provided to students, have predictable and consistent quality, serious service purpose and provide high-quality services for students." [11] However, in the mixed ownership reform of higher vocational colleges, many mixed ownership reform colleges are still subject oriented rather than market demand-oriented. They either respond insufficiently or respond too slowly to the unpredictable market demand.

## 4. Policy countermeasures

### 4.1 Carry out top-level design and provide clear legal guidance

In the current economic system reform, the CPC Central Committee and the State Council once again emphasize the role of market allocation of resources. The mixed ownership reform of higher vocational education with market allocation of resources is the most in line with the goal of education reform, and the improvement of school operation efficiency is

used to improve students' personal interests and the loss of overall social welfare [14]. However, the current reform and development of mixed ownership in Vocational colleges lacks clear guidance and institutional guarantee, and the rights and interests of investors cannot be guaranteed. Clarifying the profitability of mixed ownership colleges and universities, making arrangements in line with the characteristics of capital in the ownership and benefit distribution of mixed ownership reform schools, and establishing and improving the property right system involving the protection of the basic rights and interests of investors are the premise to attract and encourage social capital to participate in Vocational Education reform [15]. Property right protection must be placed at the core of mixed ownership reform. However, with the deepening of education reform, the time is ripe to break the system bottleneck and carry out top-level design. The relevant legislative bodies should study and formulate the guidance for the development of mixed ownership vocational colleges, improve the legislation of mixed ownership reform in higher vocational colleges, and provide clear legal guidance for the mixed ownership reform in higher vocational colleges.

#### 4.2 Establish an effective talent incentive mechanism

The core goal of mixed ownership reform in vocational colleges is to stimulate the vitality of running schools. The core of the reform is not only capital, but also talent mechanism [16]. The content of mixed ownership reform in higher vocational education is not only the introduction of capital, but also the introduction of talents. In addition to recruiting professional and technical talents in deep farming industry, it also needs excellent managers with educator spirit. If we want to attract outstanding talents, it must involve the distribution of school income and the remuneration of management. In addition to

private capital, mixed ownership vocational colleges must also have the equity held by public colleges [17]. According to the financial rules of public institutions issued by the Ministry of finance, there are no relevant provisions on whether and how public institutions can dispose of the income and surplus (surplus funds) generated by their business activities, and there are no special laws to regulate whether public institutions can distribute the income obtained from their business activities. According to the current laws and policies, it is necessary to classify the public officials from public vocational colleges or systems and the personnel directly employed from the market. Public Vocational colleges send employees with career establishment to work in the cooperative College of mixed ownership reform. In principle, these people should not receive the incentive of school running income, but their normal labor remuneration can be obtained by contract.

#### 4.3 Establish an employment oriented evaluation system

Vocational colleges with mixed ownership should focus on the goal of improving talent training level, carry out in-depth integration of industry and education, and promote students' high-quality employment [18]. To establish an evaluation system in line with the actual market, it is necessary to comprehensively evaluate the talent training objectives, specialty construction, curriculum development, training base construction, teaching effect, social reputation and so on. On the other hand, to evaluate the participating enterprises, what vocational colleges need to introduce in the mixed ownership reform is not the private capital playing the role of financial investors, but the strategic investors who can help the school solve the practical development difficulties [19]. Whether the management of the enterprise is standardized, whether the prospect is good,

whether there is potential speculation tendency and violations are the focus of the evaluation. The operating conditions of any enterprise are dynamic, so it is necessary to establish a reasonable enterprise exit mechanism, and there should be clear agreements on the effective exit of social capital to avoid affecting the normal school running order [20]. In short, based on the principle of being responsible for students, vocational colleges with mixed ownership reform should provide students with high-quality and professional teaching platform, advanced production practice equipment, training places and economic assistance, give students more practice opportunities, fully understand labor market opportunities and employment opportunities, and improve the talent training level of the school.

## 5. Conclusions

The status and role of vocational education are becoming increasingly prominent, which has become a general consensus in the academic circles. However, the mixed ownership reform in vocational colleges has developed slowly in recent years, and the reform has encountered some practical obstacles. Therefore, according to the guidance of the national vocational education reform, this paper aim to discusses the school running direction of the mixed ownership reform of vocational colleges at the present stage.

The reform of higher vocational education cannot be grasped at once, so the key question is: in which direction is the reform more likely to achieve a breakthrough? In order to get an answer to this question, it is necessary to identify the problems of reforming the ownership system of vocational universities. There are some problems in mixed ownership reform of vocational colleges in China, such as, Inefficient use of funds, Imperfect incentive mechanism and

Unclear evaluation system. In order to solve these problems, we have some suggestions as follows: first, the government should carry out top-level design and provide clear legal guidance. Second, the vocational colleges should establish an effective talent incentive mechanism. Third, the vocational colleges should establish an employment oriented evaluation system.

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