

Prepared by the New Zealand Embassy in Beijing

Summary

- China released a policy document in July detailing a set of education reforms commonly referred to as the “double reduction,” mainly targeted at education in core subjects for Chinese school students aged 6-15 years ([original Chinese version](#); [unofficial translation](#)). Much of the policy is already in effect.
- The stated drivers for the changes are policy considerations such as education affordability, equity in access to education, and student workload.
- The changes are a continuation of other regulations in recent years targeting the private tutoring industry, including a ban in 2019 on the use of foreign curricula in compulsory education.
- The new regulations make it harder to access private tutoring in China and have led to the closure of many tutoring services across the country, especially those providing services at primary and secondary school levels. Those companies that remain are finding ways to adapt and comply with the new rules and families are finding ways to continue accessing similar education services.
- More clarity on the new rules is expected in the coming months and New Zealand businesses with interests in this sector should consider monitoring developments and seeking legal advice on specific issues as appropriate.

Report

Overview of the new measures

The measures are targeted at private off-campus training institutions and aim to restrict and regulate private investment in the industry, increase government oversight and control, and limit the scope of private tutoring activities. Some of the main features of the new policy include:

A new requirement for off-campus institutions offering tutoring on China’s core school curricula to be registered as non-profit organisations by the end of 2021. Because of rules governing non-profit organisations in China, this change effectively prevents private curriculum-based tutoring companies from publicly listing or raising capital from private investors. Rules stating that licensing approvals will not be granted to any new companies. Tutoring companies that are already publicly listed would now also be prohibited from acquiring or investing in other services in the education sector. A range of measures seeking to limit foreign involvement in the industry. In addition to preventing “foreign capital” from holding shares in curriculum-based tutoring institutions operating in China, the guidelines specifically ban foreign investment in such firms via mergers and acquisitions, franchise development, and variable interest entities – the latter a mechanism commonly used by foreign investors to bypass existing restrictions on foreign investment in the industry. In addition, private tutoring companies are now prevented from hiring foreign personnel from outside China to carry out training or tutoring activities.

Provisions seeking to limit the current prevalence of private tutoring in China by prohibiting off-campus tutoring on weekends, public holidays, and during winter and summer vacations, as well as severely restricting the ability of firms to advertise their services.

In addition to the measures targeting private tutoring firms, the policy document includes a number of detailed measures aimed at reducing other education related workload burdens such as mandating no homework assignments or written exams for young students and reduced homework for other ages. Previously widespread after class educational activities offered by schools must now also be voluntary.

Major drivers for the changes

In addition to seeking greater regulatory control over the education sector, the changes have in large part been driven by concerns about excessive student workloads and inequality in access to education in China. These issues are primarily a product of the country's highly competitive exam-focused education system, which has meant that families increasingly view off-campus tutoring as the key way to give their children an advantage in university entry exams, and ultimately support long-term career success. The private tutoring market has expanded rapidly in recent years to accommodate this demand, with a 2020 survey showing more than 90% of school-aged children had attended some form of off-campus education.

The new measures are part of a longer-term trend. Restrictions on the private tutoring industry were previously implemented in 2018, requiring companies to register with the government and review their materials for consistency with the public school curriculum. In 2019 China's State Council issued a document stipulating that compulsory education schools should not introduce overseas courses or use overseas teaching materials, followed soon after by a second directive, which reinforced that compulsory education schools and ordinary high schools should not use foreign teaching materials. In May this year, regulations were introduced restricting foreign investment in the sector and banning the use of foreign curricula in private tutoring.

Impacts

In the months following the policy announcement, education companies in China have begun implementing changes to adapt to the new regulations, for example closing cram schools, switching to Chinese tutors, and shelving expansion plans. In addition, China's major off-campus training providers are making swift transformations from focusing on school subject tutoring to "competency training".

Despite moves by the major companies to adapt, closures and bankruptcies of private tutoring firms have been relatively widespread in major cities. According to reports, around two-thirds of the tutoring institutions operating in Beijing have closed since July as have more than 20% of tutoring firms in Shanghai.

There have also been reports of 'underground' individual tutoring occurring, and subsequently becoming a new target of Chinese regulators, suggesting that regulation and enforcement in this industry will continue to evolve. Beijing City authorities have already reportedly issued more than 15 million yuan (NZ\$3.4 million) in fines to institutions that were operating illegally.

However there are signs in recent weeks that the government recognises that there is still a place for these types of firms to operate in China. Discussions are reportedly ongoing with various major tutoring companies regarding how they can continue to offer services and more detail on how the new rules will work in practice are expected in coming months. New Zealand businesses with interests in this sector should consider monitoring developments and seeking legal advice on specific issues as appropriate.

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