

# KICCE Policy *Brief*

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## Childrearing Prices Modulate Parents' Perception on the Cost of Raising a Child

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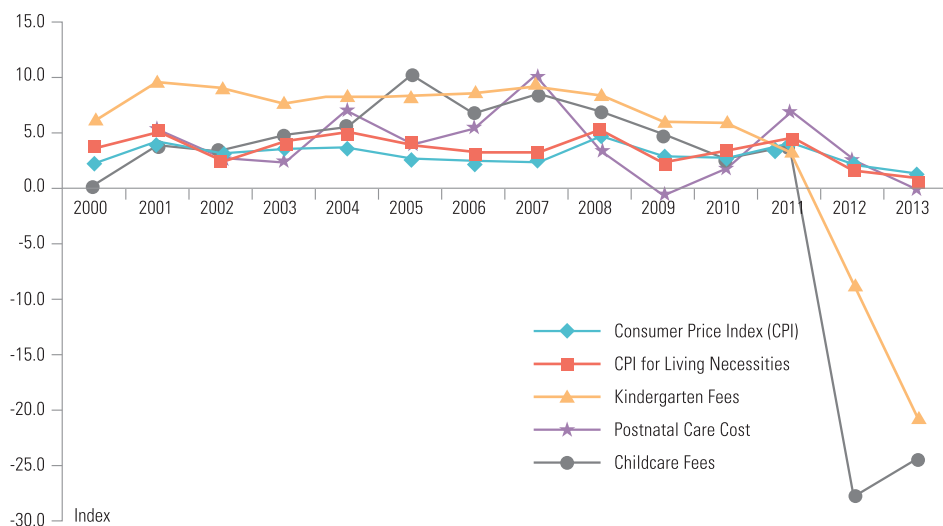
# Childrearing Prices Modulate Parents' Perception on the Cost of Raising a Child

## I . Childrearing Policy Expansion Resulting in Price Control Effect

- Childcare support policy expansion appears to contribute to keeping the 2012-2013 inflation rate at 1~2 percent and affect price control as a result.
- In order to figure out to what extent the support for child care/education tuition fees and childrearing allowance reduce financial burdens of households with infants and young children, Childrearing Price Index and Parents' Price Perception Index need to be calculated.

## II . Expansion of Child Care Support Leading to Changes in Childrearing Price Index

- Consumer Price Index (CPI) data from Statistics Korea shows a 3.1-fold increase in kindergarten and a 2.8-fold increase in baby food at the annual average inflation rate of 4.5 and 4.3 percent (respectively, between 1995-2010).



Source: 1) Statistics Korea (1995-2012, January to September 2013). *Consumer Price Index*; 2) Choi, Y.K., Park, J.A., and Lee, S.W. (2013). *Studies of Korean Childrearing Price Index*. p. 39.

[Figure 1] The Annual Trend of CPI and Childrearing Service Price

- ▶ During the same period, childcare center fees and baby car seat costs increased by 1.9-fold and 1.8-fold respectively, while annual inflation rates have risen 3.1% and 3.0% respectively. Postnatal care center, which is a value added tax free item, shows a 1.5-fold increase for 10 years from 2000 to 2010 and its average inflation rate of each year was 3.3 percent.
- Since 2012 when the Nuri curriculum and free childcare policy were implemented, kindergarten and childcare center fee burdens have been drastically reduced, thereby decreasing the CPI of each item and gradually slowing down the annual overall CPI.
- The CPI of infant and young child items is, however, still on the rise. Childrearing Price Indexes were calculated in May, July, and September in 2013 by selecting and examining 53 representative items. The result showed that Childrearing Price Indexes of all households with infants and young children rose. This increase was attributed to cost increase in 51 items despite the fact that the expenditure on kindergarten and childcare centers fell gradually. It is a relatively large increase when it is compared to the total increase of CPI.<sup>1)</sup>

[Table 1] CPI and Childrearing Price Index

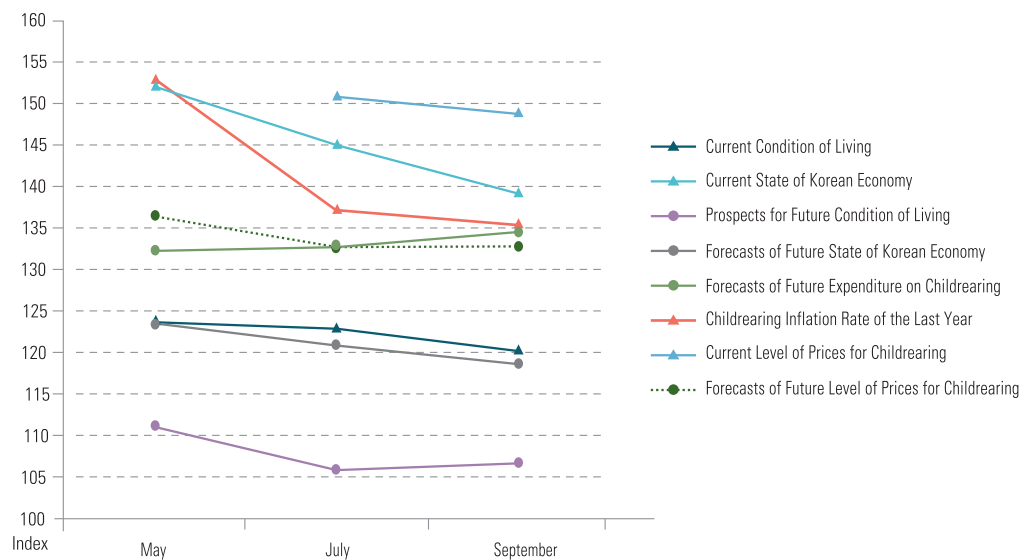
		Item	May	July	September
CPI	Households in the cities nationwide (481 items)	One representative item	100.00	100.09	100.56 ↑
Childrearing Price Index	Households with infants and young children (53 items related to raising a child)	One representative item	100.00	99.59	101.10 ↑
		High price/ Best-selling/ Low price item groups	100.00	100.20	100.65 ↑

※ This table presents indexed price change during the May-September period based on the market price in Seoul region at May as the default value of 100.  
 Source: Choi, et al. (2013). *Studies of Korean Childrearing Price Index*. p. 55.

- ▶ The Childrearing Price Index in September with one representative item appeared to be higher than the Index level in May. In July, entering summer, child-rearing price indexes fell slightly, due to the seasonal characteristics of small and lightweight items (i.e., clothes), but rose again in September, resulting in the overall increase in price levels.
- ▶ But when the Childrearing Price Index was examined with various price level groups as factors of high price, best-selling, and low price item groups, there was only a small increase. This relatively smaller increase can be explained by the substitution benefit among items. It indicates there was no pattern of falling costs in July and the index comprised of more items fell even less. While there is only a small increase in Childrearing Price Indexes, it was still higher than the CPI of households in the cities.

### III. Parents' Price Perception Index

- A separate survey was conducted on the parents of infants and young children to investigate their perception on childrearing expenses. The results revealed their weighted burden. The majority of respondents reported that they foresee a childrearing price increase and an increase in future expenditure for the coming years.<sup>2)</sup>
- ▶ Parents have negative views on the current level of prices for children's goods and services as well as the expenditure to raise a child in the near future in comparison to an outlook on the future economic situation and households living conditions. It indicates that the current price level and financial burden substantially influence their future prospects.



Source: Choi et al. (2013). *Studies of Korean Childrearing Price Index*. p. 72.

[Figure 2] Parents' Price Perception Index – Current and Future Condition of Living and Forecasts of Future Level of Prices for Childrearing

- ▶ An investigation of parents' price perception was conducted on each item. The numeric value of the price perception of items is listed in descending order: postnatal care centers, first birthday celebration/albums, toys, instructional materials/books, strollers, mats, powdered formula, private institutions, and outerwear. The Parents' Price Perception Index is highest towards postnatal care center (174 point). Parents perceived after-birth-services such as postnatal care centers, expenditures on first birthday celebration/album, private education, baby car seats, and toys to be burdensome
- Price control or financial support is required on demanding items that households feel burdened. Parent education is also needed.

[Table 2] Parents' Price Perception Index of Staple Childrearing Items

Consumer Goods	Price Perception	Consumer Goods	Price Perception
Toys	157.8	Inner wear	119.0
Powdered formula	146.0	Wet wipes	112.2
Outerwear	144.1		
Baby food	141.2		
Diapers	139.6		
Vitamins	126.7		
Milk	126.3		
			<b>136.2</b>
Durable goods and Services	Price Perception	Durable Goods and Services	Price Perception
Postnatal care center	174.0	Insurance	142.5
First birthday celebration/album	169.6	Car seat	141.5
Instructional materials/book	152.2	Baby carrier blanket	139.1
Stroller	150.1	Home-study	137.8
Mat	146.7	Childcare center	128.5
Private education institutions	145.5	Kindergarten	128.4
Bicycle	143.8		
			<b>139.6</b>

Source: Choi et al. (2013). *Studies of Korean Childrearing Price Index*. p. 65, 67.

- ▶ Although the effect of childrearing support policies such as free child care and education policy and childrearing allowance is reflected on the decrease of parent's price perception of their respective items (e.g., tuition for childcare center and kindergarten), childrearing support policies, did not generate significant effect on lowering the total price of childrearing items and parents' perception of it. The perception index for the childrearing price reveals a high burden on households with infants and young children due to the fact that the current price level has risen too high already and expenditure on childrearing has been constant for some period of time.
- Meanwhile, parents reported satisfactory and positive attitudes towards kindergarten and childcare center service use and tuition fee allowance, displaying above the average score on a 5-point scale.

[Table 3] The Degree of Satisfaction on Childrearing Allowance and Child Care Services

Unit: %(number of respondent), score

	Very Dissatisfied	A Little Dissatisfied	Neither Satisfied Nor Dissatisfied	A Little Satisfied	Very Satisfied	Percentage (total number of respondent)	Mean*
Kindergarten tuition fee allowance	4.4	16.9	34.3	26.0	18.4	100.0(473)	3.37
Childcare center tuition fee allowance	2.6	14.3	29.3	34.2	19.6	100.0(1,513)	3.54
Childrearing allowance	6.4	18.8	39.0	26.7	9.1	100.0(1,075)	3.13
Kindergarten services	1.9	7.8	33.4	35.9	20.9	100.0(473)	3.66
Childcare center services	1.2	8.1	28.0	43.4	19.3	100.0(1,513)	3.71
Private education services	0.9	8.1	42.2	41.1	7.8	100.0(806)	3.47

\*Note: Mean values are calculated using a 5-point Likert scale

Source: Choi et al. (2013). *Studies of Korean Childrearing Price Index*. p. 70.

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## IV. Policy Recommendations

- In order to ease the financial burden of raising a child, it is necessary to have not only childrearing cost support, but also price control on childrearing goods and services.
  - ▶ Expand the target group and content of childrearing price control from current service-centered practice to items related to child-rearing goods
  - ▶ Conduct parental satisfaction surveys, consistent monitoring of market prices by consumer organizations, and periodic examinations of prices related to childrearing goods and services. By gathering this information, announce the Childrearing Price Index and Parents' Price Perception Index to the public.
  - ▶ Conduct continuous price control over high-burden items.

1) Representative item selection (goods and services) and their adjustment are based on Choi, Y.K., Yoo, H.M., Kim, S.S., and Song, S.Y. (2012). *An Investigation into the Cost of Child Rearing and the Development of a Childrearing Price Index (CPI)* Korea Institute of Child Care and Education and Choi, Y.K., Park, J.A., and Lee, S.W. (2013). *Studies of Korean Childrearing Price Index*. Korea Institute of Child Care and Education.


2) The calculation methods which are used in Consumer Sentiment Index (CSI) and Composite Consumer Sentiment Index (CCSI) of Statistics Korea and The Bank of Korea are applied. Indexes above 100 represent more negative responses than positive ones on forecasts and future burdens; indexes below 100 indicate the opposite. No direct comparison between Childrearing Price Index and Parents' Perception Index should be made due to index calculation difference.

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1) Statistics Korea (1995~2012, January-September 2013). *Consumer Price Index*

2) Choi, Y.K., Yoo, H.M., Kim, S.S., and Song, S.Y. (2012). *An Investigation into the Cost of Child Rearing and the Development of a Childrearing Price Index (CPI)*. Korea Institute of Child Care and Education.

3) Choi, Y.K., Park, J.A., and Lee, S.W. (2013). *Studies of Korean Childrearing Price Index*. Korea Institute of Child Care and Education.

Dr. Yoon Kyung Choi  
Associate Research Fellow  
Korea Institute of Child Care and Education  
 ykchoi@kicce.re.kr

**Korea Institute of Child Care and Education**

7F, 8F, 10F, 11F, Anguk bldg, 33, Yulgok-ro Jongno-gu Seoul, Korea (110-734)  
Tel 82-2-398-7700 Fax 82-2-730-3313  
[www.kicce.re.kr/eng](http://www.kicce.re.kr/eng)