

KICCE Policy *Brief*

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International Comparisons for Public Financing on ECEC

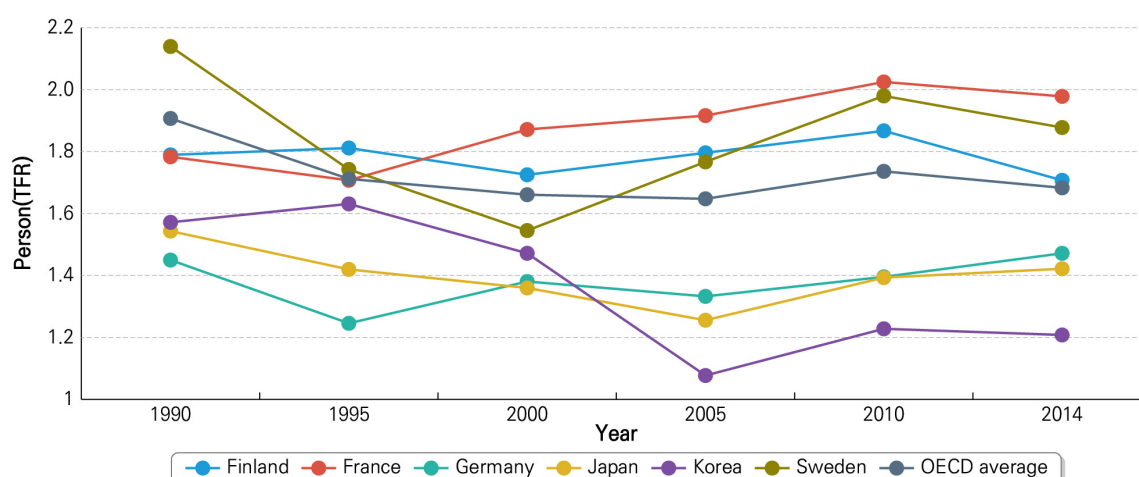
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International Comparisons for Public Financing on ECEC

I. Background

- Most countries have increased the share of public expenditures on early childhood education and care (ECEC).
 - ▶ It needs, mainly, to alleviate the cost burden for ECEC from individuals as well as to provide every child with the appropriate education and care.
 - ▶ Easing the financial burden on ECEC may have an effect on the current low fertility rates, which have occurred in most developed and developing countries over the past decades.
 - ▶ Reviewing the general trend in public spending on ECEC among Organization for Economic Cooperation and Development (OECD) countries, including Korea, provides policy implications.
- The total fertility rate (TFR) trend is divided into two groups: countries with relatively high rates versus those with low rates.¹⁾
 - ▶ South Korea experienced a significant drop in TFR. Prior to 2000, the country sustained a TFR of over 1.50. By 2005, it reached a historical low of 1.08.
 - ▶ Sweden experienced a dramatic decrease in its TFR until 2000. In 1990, it was 2.14, slightly above the replacement rate (2.1), but plunged to 1.50 in 1999 – the lowest in Sweden. However, it recovered to 1.98 in 2010.
 - ▶ France also has experienced an increase trend in its TFR since 1995. It reached 1.98 in 2006.
 - ▶ In the case of Finland, TFR has kept high for decades, compared those of other developed countries. It has been around 1.8 since 1990.
 - ▶ Japan and Germany are the only countries that experienced an increase in TFR after 2010. Germany's TFR fluctuated at around 1.3, but has been rising since 2005. Japan's TFR was above 1.5 in 1990, and declined thereafter. In 2005, however, TFR became stabilized and started to increase.

1) OECD family database, SF2.1: Fertility rates.



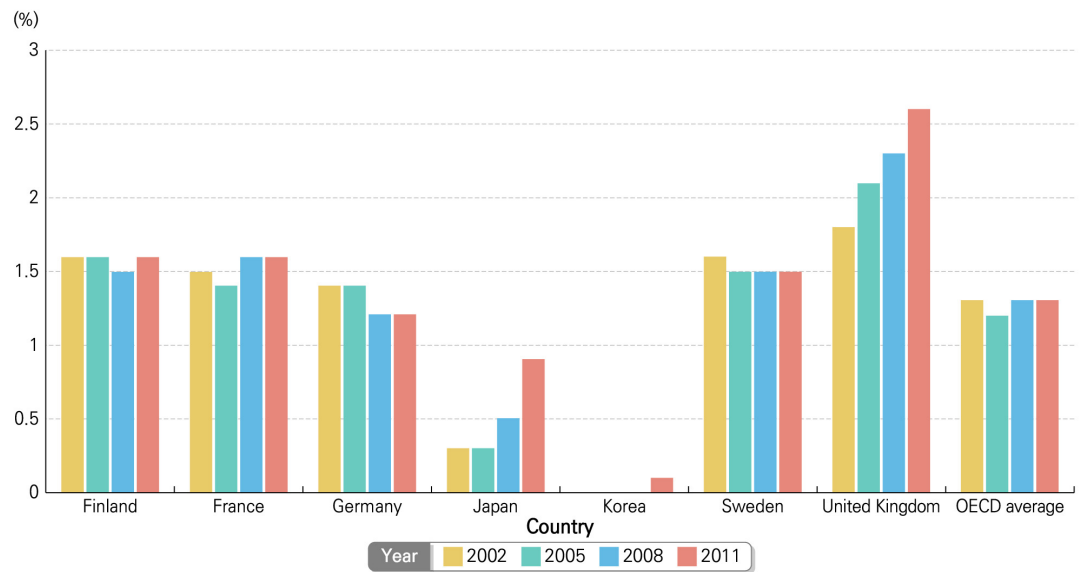
Source: Reconstructed by the author, based on OECD Family Database (<http://www.oecd.org/els/family/database.htm>, accessed September 05, 2016)

[Figure 1] Total fertility rate in selected OECD countries (1990–2014), including OECD average

II. Public expenditures on family benefits in OECD countries

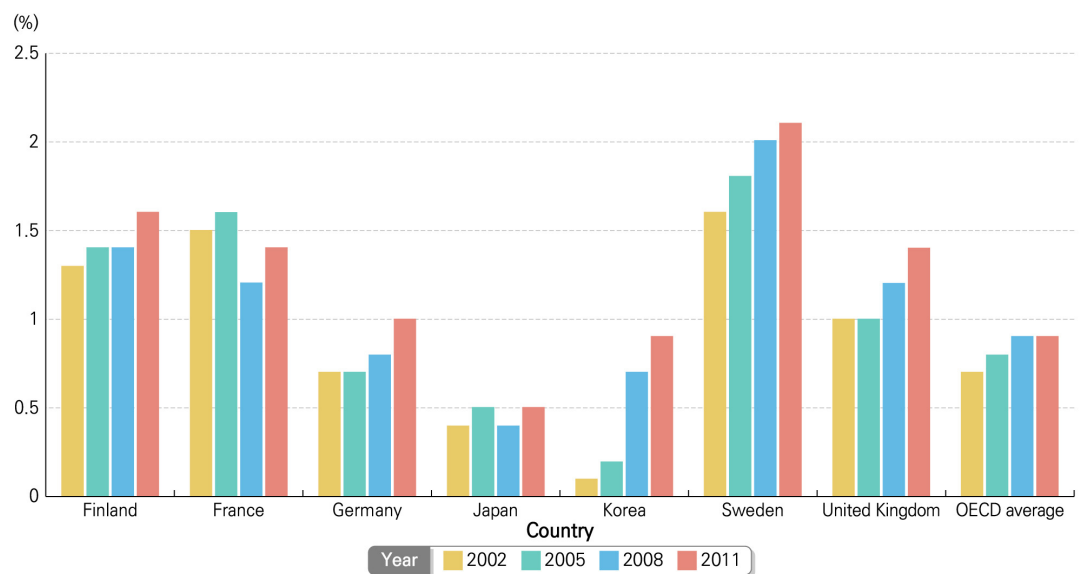
- According to the OECD family database (PF. 1.1²⁾), family benefits refer to the financial supports for families and children, only child-related cash transfers, services, and those provided through the tax system.
 - ▶ For example, cash benefits include child-related cash transfers to families raising children, such as cash allowances.
 - ▶ In most countries, these benefits are only given to families with children. The benefits are universal, regardless of the family’s income levels in more than half the countries, including Korea.
- In Japan and Korea, expenditures in 2011 were increased compared to those in 2002.
 - ▶ Most European countries’ public spending on cash benefits is well above 1.5 percent of GDP.
 - ▶ Sweden and Germany, however, have reduced their expenditures on cash benefits.
 - ▶ As shown in Figure 2, the United Kingdom has the largest public expenditures on cash benefits.
- Japan, Korea, and the United Kingdom have increased their public expenditure on both cash and in-kind benefits (including services) for families as a percent of GDP during the reference period, 2002–2011.
 - ▶ According to Figure 2 and Figure 3, Japan and Korea represent large increases in those benefits.

2) OECD family database, PF1.1: Public spending on family benefits.



Source: Reconstructed by the author, based on OECD Family Database (<http://www.oecd.org/els/family/database.htm>, accessed September 05, 2016)

[Figure 2] Public expenditures on cash benefits (% of GDP), 2002-2011



Source: Reconstructed by the author, based on OECD Family Database (<http://www.oecd.org/els/family/database.htm>, accessed September 05, 2016)

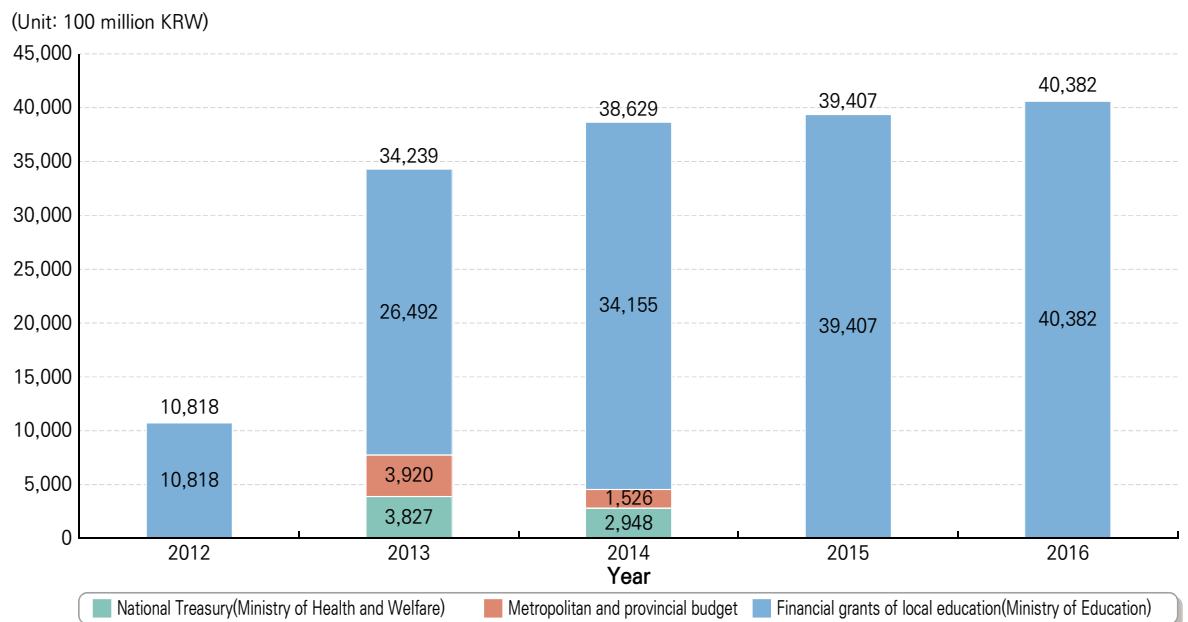
[Figure 3] Public expenditure on in-kind benefits, including services (% of GDP), 2002-2011

III. Finance of early childhood education (Nuri Curriculum) in Korea³⁾

- In Korea the Nuri Curriculum was introduced in 2012 as a national curriculum for all children aged 5 in both kindergartens and childcare centers. In 2013, it was expanded to cover children aged 3-4 as well.

3) Due to insufficient and inconsistent data, early childhood care is not discussed.

- ▶ Financing on early childhood education can be classified into 1) government financial support (financial grants of local education) from Ministry of Education, and 2) autonomously executed budget by 17 metropolitan and provincial offices of education.
- ▶ After Nuri Curriculum was passed in 2012, kindergarten financial aid (Nuri Curriculum support fund & operating cost) was included in early childhood education budget, and the amount of budget kept increasing.
- ▶ The budget for Nuri Curriculum increased from 1.08 trillion KRW in 2012 to 4.03 trillion KRW in 2016.



Source: The Board of Audit and Inspection of Korea (2016). Audit Report: The budget planning on Nuri Curriculum.

[Figure 4] Financing for Nuri Curriculum by agent, 2012-2016

- By the service type, childcare centers have shown a large increase in the budget planning.
 - ▶ The budget planning by 17 local offices of education from 2014 to 2015 increased by 4.5 percent for kindergartens and 28.7 percent for childcare centers.

[Table 1] Budgeteering for Nuri Curriculum by type, 2014-2015

Unit: 100 million KRW

Year	2014	2015	Variation(%)
Kindergarten	13,472	14,075	+ 4.5%
Childcare center	13,370	17,202	+ 28.7%
Total	26,842	31,277	+ 16.5%

Note: 1) Calculated by the author based on Audit Report.

2) All values of kindergarten and childcare center are the sum of budget from each local offices of education.

Source: The Board of Audit and Inspection of Korea (2016). Audit Report: The budget planning on Nuri Curriculum.

IV. Conclusion

- Although having different policy structures on ECEC, most OECD countries have increased their share of public expenditures on early childhood education and care (ECEC).
 - ▶ Each government is interested in alleviating the cost burden for ECEC from individuals as well as in providing every child with the appropriate education and care.
 - ▶ At first, governments focus on supporting low income households, but they expand it to middle income households, or even the whole households in some countries.
 - ▶ In addition, easing the financial burden on ECEC may have an effect on the current low fertility rates, which have occurred in most developed and developing countries over the past decades.
- Korea had the lowest public expenditures on cash benefits.
 - ▶ Japan, Korea, and the United Kingdom have increased their public spending on both cash and in-kind benefits (including services) for families during the reference period, 2002-2011.
 - ▶ However, Korea has the lowest public expenditures on cash benefits, even though the spending on in-kind benefits (services) matches that of other countries.
 - ▶ This reflects that the Korean government had spent relatively more on in-kind benefits (services).
- After Nuri Curriculum was passed in 2012, however, the budget of early childhood education has kept growing.
 - ▶ The budget for Nuri Curriculum increased from 1.08 trillion KRW in 2012 to 4.03 trillion KRW in 2016.
 - ▶ The budget planning by 17 local offices of education from 2014 to 2015 increased by 4.5 percent for kindergarten and 28.7 percent for childcare center.

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