

Administration and Funding of the Education System in Korea*

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I. Introduction

1. Structure and Development of the Education System

This paper will assess the administrative and fiscal aspects of the educational system. Specifically, this will discuss their structural characteristics and development process, while concentrating on recent changes, major issues and policy matters. This discussion will also include the Educational Reform Policy announced on May 31, 1995.

The administration of the education system falls within the jurisdiction of the executive branch of the national government. The regulation and administration of the education system is carried out in conformance with the Constitution, laws on the formation of the government, educational regulations and other related statutes, while following legal institutionalization of the educational administration. The authority for carrying out the actual administration of the education system resides with the government, with the president being the ultimate decision maker. The president can issue presidential orders, and as the chairman of the national affairs council, can formulate government policy, draw up the budget, and delineate the limits of the authority of the executive branch. In practice, however, the minister of education constitutes the sole government authority in charge. Within the government, organizations taking part in the administration of the education system include the ministry of education in the central government, and

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the education supervision office of the education committee at the local government level. The ministry of education is in charge of administrative duties concerning education in schools, continuing education for adults, academic standards, and is responsible for establishing the system and keeping it up to date, as well as formulating and carrying out government policy. Responsibility for education at the primary and middle school levels, as well as social awareness education, is retained by the local board of education.

The role of the government in the administration of the education system has changed in distinctive ways with changes in government and economic development. Although there is some dissent about how to divide the process of change that the educational system went through, it is generally agreed that it is possible to divide it into three stages: founding, regulated development, and reforms for autonomy.

- 1) Founding (from the establishment of the government in 1948 to the May 16 Military Coup in 1961)

During this period, the Korean education system was established upon the groundwork laid by the Japanese colonial government, and the United States military government. This period also saw the government update and operate the education system while carrying out the rebuilding of a country largely destroyed by the Korean war. The ruling party during most of this period was the Liberty party.

Also during this period, the government tried to establish a national education system reflecting the principles of liberty and democracy. Very briefly, the government can be judged as having established a democratic educational system and having carried out a *laissez-faire* and liberal education policy. However, as a consequence of this, the framework of the system that was established proved inadequate to maintain an education system for the public good, and the trend of private schools turning into family-run businesses became a problem. In terms of policy, the government concentrated on completing an obligatory primary school system, and enacted the legislation necessary for the establishment of an education system. A number of statutes dealing with education in general, public servants employed in the education system, and funding for education were enacted,

with the government formulating and announcing school curricula, as well as establishing a standard for the accreditation of universities.

2) Regulated Development (from the May 16 Military Coup to the 1980 establishment of the 5th Republic)

The Regulated Development period corresponds to the period after the May 16 Military Coup when Korea embarked in earnest on the path of economic development. Educational development was pursued as part of economic development, while at the social level, the period saw growing unrest as a result of forcibly regulated economic development. In addition, economic inequities and societal incongruities were exacerbated as a consequence of the growing gap between the rich and the poor. Much of the discontent during this period arose as the consequence of a growing desire for democratization, and the suppression of this by the government.

This period saw educational development carried out via planned government action, that is, educational development was planned and pursued as a part of the establishment and execution of 5-year economic development plans. The groundwork for an education system for the public good was laid, and the development of the education system was systematically carried out as part of a larger plan of national development. In 1969, for the first time, a Long Term Comprehensive Education Development Plan encompassing all areas of the education system was formulated to promote the development of the education system. The government also announced the tasks that lay ahead for the nation in the areas of social and economic development by publishing works such as "Outlook and Tasks in the Development of the Educational System" (Korean Education Development Institute, 1979).

The educational system was updated by systematizing government regulation of the establishment of universities, as well as the number of students in each university. The government also formulated a uniform, nationally mandated system for the selection of university students. To better serve the public good, laws concerning private schools were enacted, and "national responsibility" subjects such as in-school military drills, civil ethics, and national history were added to the

curriculum. Also, a "national education charter" was established in 1966 to serve as a guide to educational rights.

As for significant additions to the education system, an academic research fund was established to stimulate research at the university level. Also, to correct entrance exam oriented education at the primary and middle school levels, in 1969 and 1974 entrance exams for middle schools and high schools, respectively, were abolished.

Prior to the granting of autonomous rule to local governments, the autonomous administration of education systems at the local level was resurrected. Further, during this period important groundwork was laid for increased funding of the primary and middle school system. Also, funding for local education systems was placed on a secure footing by means of new legislation.

3) Reforms for Autonomy (1980 to present)

This is the period between the early 1980's and the present. The early days of the 5th republic were characterized by heteronymous reform measures and regulations, but as a whole, the educational reforms of this period are judged to have been aimed at reestablishing the autonomy of the education system. The growth of the autonomy of the education system can be seen as having been spurred by the democratization movement's resistance against, and eventual triumph over, military dictatorship.

Prior to the formation of the 5th republic, the so called "July 30 education reform" was enacted to prohibit after-school tutoring academies and supplementary college entrance exams administered by the universities themselves. Further, universities were instructed to admit 30% more students than the normal number for each class. In combination with this a policy of only graduating the normal number of students per class was adopted to forcibly fail a certain number of students every year. In the middle of all this chaotic change, Presidential Commission for Education Reform (PCER) was formed to prepare a rational plan for the reform of the educational system. Similarly, during the 6th republic, the Presidential Advisory Committee on Education (PACE) was formed to carry out the reform of the educational system. This trend towards reform was passed on to the current government, and at the present, the

Presidential Education Reform Committee (PERC) is in the process of studying proposals for reform. In contrast to the past, the upcoming round of reforms is predicted to bring very significant changes to the way the education system is administered.

In 1992 the 6th revised curriculum was introduced to give more autonomy to provinces and schools as far as tailoring curricula to fit their needs. At the same time to grant autonomous rule to the provinces, a policy of autonomous administration of local education systems was introduced. On the other hand, serious unrest was experienced due to the formation of the national teacher's union, the refusal of the government to recognize the organization, and the consequent round of firings and reinstatements of teachers.

The substantive content of the present government's reform measures has been finalized and was announced on May 31, 1995. Significant changes towards more autonomy and de-regulation in the administration of the education system are expected.

2. Educational Reform Approach to the Governance of Education

The Government's published Blueprint for Educational reform consists of six chapters. The second chapter, titled, "The Vision and Objectives of the New Educational Systems," defines the major principles and approaches to Education Reform. The 5.31 Educational Reform Policy (ERP) aims to develop a new educational system intended to foster a knowledge-based information society in step with the worldwide trend of globalization. The new educational system is to be an "Open Educational System." In a learning society, the openness of educational systems implies that education should be open to those who wish to learn regardless of age, location of residence, or the type of school one attends, and that one should be able to choose which school to attend.

Chapter Two describes the characteristics of the 5.31 Educational Reform Policy. These characteristics seem to specify the methodological principles to be applied in reforming educational systems. Among these principles, the ones that seem to be relevant to the governance and administration of education are: school choice principle, affirmative action

principle and the information support system to school education.

1) The Objectives and Emphasis of Educational Reform Policy (ERP)

The 5.31 Educational Reform Policy was not designed to solve or overcome specific educational problems. During the last 25 years, several educational reform measures had been taken to correct the exam-orientation of school education in Korea. These reform measures include: abolishing entrance examinations to middle schools in 1968, the high-school equalization policy (HEP) which replaced entrance examinations to high school with random-assignment of students to high schools in 1974 and the 7.30 Educational Reform in 1980. The 5.31 Educational Reform in 1995 is directed toward developing a new educational system for the next century. The feasibility and predicted outcomes of this educational reform, which became a hot topic after ERP was announced, have to be assessed. However, at first glance the overall framework invites enthusiasm and high expectations from the public.

The "Open Educational Systems in a Learning Society," as the new educational system is named, aims to develop a system in which learning opportunities are open to everyone during their entire life time, and students can choose the educational program suitable to their educational needs, crossing the boundaries of schools and educational institutions. In addition to this openness principle, the ERP intends to develop a system to provide quality educational programs to the handicapped and to those in remote areas with low cost information technology. This ideal toward which new educational system aims is named "Edutopia."

The feasibility of developing this new educational system has to be discussed elsewhere. This section will focus on administrative approaches to educational reform. As indicated earlier, three major methodological principles are taken in ERP. They are learner-centered school education, affirmative action programs and information support systems. The following discussion will first focus on the principle of learner-centered governance of education.

2) Learner-Centered School Education

The ERP intends to shift the pattern of governance in education from the supply-side micro-management of schools to the learner-centered governance of school education. Here, the pattern of learner-centered governance of school education puts the highest value on the achievement of learning, expands the scope of parental choice in education and intends to introduce market mechanisms to governance in education. The students and parents, as consumers of educational services, are expected to play important roles in exercising the rights to choose and to make substantial demands on schools to improve the quality of their educational programs.

The learner-centered governance of education implies two policy tasks. One is the diversification of educational programs so that students can choose courses to fit their learning needs, and the other is to guarantee the autonomy and accountability of school management. Autonomy in school management should be granted to improve educational programs under market pressure. Parental choice and the market mechanism are meaningful only with on-site school management and the accountability of education.

The policy of learner-centered governance of education is to be implemented with the following policy measures: (1) inducing diversification and development of specialized school programs in secondary education, (2) allowing parental choice of schools, replacing the random assignment of students to schools in a district with a selection based on students' applications, (3) evaluating school effectiveness and making the results known to the public, and (4) organizing school councils as governing bodies of school management to improve the autonomy and accountability of school management. As a pilot program, the appointment of principals and teachers by the school council is recommended.

The market mechanism has been already introduced into the domain of higher education. Autonomy in the governance of universities has been expanded step by step and the accreditation system has developed into a stage where results are made open to the public. Now, government is developing an administrative and financial support system based on the results of evaluations of universities and colleges.

3) Affirmative Action Principle

Although the ERP does not delineate any measures specifically intended to implement the Affirmative Action Principle, the ERP does express an intention to upgrade the overall achievement of students by providing an Affirmative Action Program to those disadvantaged because of their locality, physical-mental capabilities, and/or socio-economic status.

The affirmative action principle is reflected in the policy measures of the University Entrance Examination System and the life-long education program. The ERP proposes to abolish the system of examinations administered by each university, which has been criticized as requiring private tutoring to pass. The ERP also proposes that the affirmative action principle be applied to the admission criteria in the selection of the applicants. This affirmative action principle is one of the underlying principles of the development of life-long educational system.

4) School Choice Program

The school choice program has been studied and debated in Korea. A Korean model of a school choice program for secondary education is briefly described in section 1.2.2) under the title of "Learner-Centered School Education." Relating to the subject of the school choice program, the Ministry of Education is taking steps to change the pattern of governance of school education and to support on-site school management to enhance autonomy and accountability. These steps includes setting up "The Examination Committee of Government's Regulation" in the ministry of education and "The National Curriculum and Evaluation Center", which will subsume and expand the duties of the National Center for Educational Evaluation (NCEE). In terms of expanding government support for education, ERP also proposes to increase government financial support to education to 5% of the GNP by 1998.

5) Debates on the Introduction of Market Mechanism to Education

The bureaucratic control of education has been criticized as the cause of a low rate of qualitative progress in school education, low morale of teachers and unresponsiveness of

schools to the requests of students and parents. As an alternative governance model of education, the market control model has been discussed and introduced in the ERP. This introduction is understood to represent a victory of the neo-conservatives' circle and the business sector in the issues of education.

In Korea, too, the concept of consumer's sovereignty has become popular and the idea of consumer's sovereignty in education has taken its place in the ERP. This idea has developed into the school-choice and on-site management program, as well as into other programs introducing market mechanisms to education. Since the announcement of the ERP on May 31, 1995, the overall framework of the ERP received warm support from the public and raised the public's expectation that the ERP would have a significant effect on the educational system. The ERP is expected to result in the improvement of in-school educational programs and the overall achievement of students, as well as in the greater satisfaction of students and parents with the school programs.

Under the current scheme of random assignment of students to middle schools and high schools mandated by the High-School Equalization Policy, schools, whether public or private, have had little incentive to develop unique school programs that would be attractive to the target population of students. Bureaucratic micro-management has further constrained the efforts of schools to develop more relevant school programs. This perception of middle and high schools by the public became the source of support for the school choice program in the ERP.

However, there has been increasing concern about possible side effects that might be caused by a school choice program. The school choice program could jeopardize the equality of educational opportunity. The public worries that rich schools might become richer, poor schools poorer. The outcome of a school choice program will depend on the ability of parents to make the right choice for their children's educational needs. It is expected that full scale debate on the school choice program will take place when proposals for its implementation become public.

3. The Reorganization of the Ministry of Education and the Administrative Function of the Central Government

The Ministry of Education has been reorganized numerous times since the establishment of the government. During this time, reflecting a trend of specialization in the government, new ministries, such as the Ministry of Science and Technology, the Ministry of Culture, and the Ministry of Physical Education and Teenage Affairs, were created to oversee some of the duties that previously belonged to the Ministry of Education. More recently, following the reform of the government formation laws undertaken during the 6th republic, the Ministry of Education and its duties were limited to education in schools, continuing adult education and academic research. The structure of three "offices" and five "departments" was also adopted at this time. The three "offices", The Office of Planning and Administration, The Office of Supervision, and The Office of University Affairs, and the five "departments," The Department of Compulsory and Secondary Education, The Department of Teachers, The Department of Science Education, the Department of Social Education, and The Department of Educational Facilities, comprise the Ministry of Education. Towards the end of 1994, a reform of government composition brought reductions in the size of government agencies while at the same time strengthening the Ministry of Education's policy making and regulatory powers. At the same time, the Ministry of Education was also reorganized for the purpose of strengthening its ability to support education. As a result, in exchange for replacing the Office of Supervision with the Office of Educational Policy and thus removing the Ministry of Education's ability to directly supervise school education, the Ministry's policy making powers and regulatory powers were strengthened, while at the same time the publishing of educational texts was assigned to an independent department. Also, to expand the Ministry of Education's ability to support education, the Office of University Affairs was reorganized into the Department of University Support, and administrative duties concerning high school level education were all unified and placed under the auspices of the Ministry of Education. Furthermore, for the purpose of better supporting autonomous local education systems, the Department of Compulsory and Secondary Education was reformed into the

Department of Local Education. The duties of the Department of Compulsory and Secondary Education, such as administration and funding, science and technology education, health and physical education, and professional education were all assigned to the Department of Local Education. The Department of Teaching Professionals was also renamed the Department of Education Support, and was assigned comprehensive policy duties concerning education professionals. The Departments of Science Education and Education Facilities were abolished, and arrangements were made for their duties to be consolidated under another department.

Meanwhile, as a part of the down-sizing of the Ministry of Education, the National Institute of Education Evaluation (NIEE) was to be abolished, and its duties were consolidated under the Korea Education Development Bureau. However, due to the fact that some of the duties of the NIEE (e.g., the administering of the university entrance aptitude test) were tied to the college admissions process, the institute was allowed to continue to operate until March of 1996. Because the NIEE has relevance to the planned reform of the college admissions process, it is likely that instead of being abolished, it will be strengthened. The final outcome will depend on the substantive content of the educational reform measures that the government decides to adopt.

These reorganizations of the Ministry of Education can be characterized as clearly strengthening the Ministry's powers concerning policy, maintenance of the system, and support of education. Autonomy was granted as to the administration of universities, local government's powers pertaining to education in levels K-12 were strengthened in keeping with the policy of granting more local educational autonomy, and the central offices were reformed to concentrate on support duties. It is not yet possible to assess the final outcome of the reorganization of the Ministry of Education. Furthermore, depending on what course educational reforms take, new rounds of reorganization are likely.

4. The Structure of the Education Funding System

Concerning the structure of the education funding system, the cost structure and funding of education will be analyzed first.

Then, the process of change in revenue sourcing aimed at increasing the funds available for local education systems will be briefly summarized.

In the finance of education, the public expenditure on education (PEE) is defined as the expenditure used for education through the legally institutionalized process. There are three major classifications of PEE: (1) PEE supported by the central government, (2) PEE supported by local government and (3) PEE paid by parents. PEE supported by the central government has two major sources of revenues. One is the revenue allocated from the central government by the "Local Educational Financing" law and the other is the revenue allocated through the government's budgeting process. The revenue allocated by law is the revenue transferred to Local Boards of Education (LBE) from the Ministry of Education budget for elementary and secondary education.

According to a recent study concerning education related expenses (Kong et al., 1994), in 1994, expenditures for education took up the following proportion of the GNP.

| | (unit: won) |
|-----------------------------------|--------------------------|
| Direct Expenditures for Education | 11.8% (34,221.8 billion) |
| Public Education | 5.75% (16,757.8 billion) |
| government share of cost | 3.72% (10,759.2 billion) |
| private sector share of cost | 2.03% (5,998.6 billion) |
| Private Spending on Education | 6.02% (17,464.0 billion) |

Direct expenditures for education are estimated to amount to 11.8% of the GNP. Of this, the public education system took up 5.75% of the GNP, with funds amounting to 3.72% of the GNP being supplied by the government, and the remaining 2.03% being supplied by parents in the form of supplemental dues.

Here, the private expenditure on education is defined as all kinds of expenses paid by parents for their children's education. When expenses for private tutoring, fees for private teaching institutions and supplementary materials for test preparation are included, the amount is estimated to be about 5,850 billion won (this amount equals roughly 2.7% of the GNP). Private expenditure for test preparation is estimated to take up about 45% of total private expenditures.

1) Analysis of the Structure and Estimate of the Magnitude of Funding for Education

The Ministry of Education's funds are divided into regular accounts funds and special accounts funds. The concessionary fund for local education takes up most of the funds under the control of the Ministry of Education. Most of the funds that go to the Ministry of Education are first collected by the government in the form of education taxes, and then transferred to the Ministry. Expenditures are divided into regular accounts funds and special accounts concessionary funds for local education. Table 1 illustrates the tax funds assigned to, and spent by, the Ministry of Education.

2) Allocation of the Ministry of Education's Budget

In 1995, the Ministry of Education's budget took up 18.7% of the government's regular accounts tax income expenditure. However, taking into account the concessionary fund for local education and other special accounts funds, total education expenditures have been taking up a growing proportion of the GNP and the government's regular accounts expenditures for the

Table 1. Tax Intake and Expenditure of the Ministry of Education (1994-1995)

| (unit: 100 million won, %) | | | |
|------------------------------|----------------|----------------|---------------------|
| Classification | '94 Budget | '95 Budget | Change(%) |
| <Income> | | | |
| General Account | 1,759 | 2,041 | 282(16.0) |
| Education Tax | 25,691 | 29,870 | 4,179(16.3) |
| National Hospital | 1,787 | 1,258 | △529(△29.6) |
| Total | 29,237 | 33,169 | 3,932(13.4) |
| <Expenditure> | | | |
| General Account | 82,410 | 2,041 | 282(16.0) |
| Capital Invest. | 575 | 2,041 | 282(16.0) |
| National Asset | 118 | 2,041 | 282(16.0) |
| Ed. Tax | 25,691 | | |
| Others | 100 | 2,041 | 282(16.0) |
| National Hospital | 1,787 | 2,041 | 282(16.0) |
| Total | 110,681 | 126,212 | 15,536(14.0) |
| (excluding hospital account) | 108,894 | 124,959 | 16,065(14.8) |

Table 2. Education Expenditures as a Proportion of Regular Accounts Expenditures (1994-1995)

(unit : 100 million won, %)

| Classification | 1995 Budget | 1994 Budget |
|--------------------|-----------------|-----------------|
| Defense | 115,070 (23.0) | 104,675 (24.2) |
| Education | 93,830 (18.8) | 82,410 (19.1) |
| Social Dev. | 41,678 (8.4) | 39,102 (9.0) |
| Eco. Dev. | 111,078 (22.2) | 97,080 (22.5) |
| Administration | 54,050 (10.8) | 47,430 (11.0) |
| Subsidies to Local | 53,941 (10.7) | 46,246 (10.9) |
| Others | 30,232 (6.1) | 14,557 (3.4) |
| Total | 499,879 (100.0) | 432,500 (100.0) |

Table 3. Yearly Change in the Proportion of Education Expenditures (1990-1995)

| Classification | 1990 | 1991 | 1992 |
|-----------------------------|-----------|-----------------|-----------|
| A. GNP (current price) | 1,714,881 | 2,060,265 | 2,299,385 |
| B. Gov. Budget | 274,557 | 313,823 | 335,017 |
| (percent increase) | (24.5) | (0.2) | (6.8) |
| C. Education | 55,715 | 55,595 | 64,330 |
| (percent increase) | (20.3) | (Δ 0.2) | (15.7) |
| C/A (Education/GNP) | 3.2 | 2.7 | 2.7 |
| | | (3.4)* | (3.5)* |
| C/B (Education/Gov. Budget) | 20.3 | 17.7 | 19.4 |
| | | (21.0)* | (22.7)* |

| Classification | 1993 | 1994 | 1995 |
|-----------------------------|-----------|-----------|-----------|
| A. GNP (Current Price) | 2,638,610 | 3,007,000 | 3,395,000 |
| B. Gov. Budget | 380,500 | 432,500 | 499,879 |
| (percent increase) | (13.6) | (13.7) | (15.6) |
| C. Education | 74,156 | 82,410 | 93,830 |
| (percent increase) | (15.3) | (11.1) | (13.9) |
| C/A (Education/GNP) | 2.8 | 2.7 | 2.8 |
| | (3.7)* | (3.6)* | (3.7)* |
| C/B (Education/Gov. Budget) | 19.5 | 19.1 | 18.8 |
| | (23.6)* | (25.2)* | (25.0)* |

* Educational tax account included

last 5 years. As can be seen from table 3, education expenditures rose from 3.4% of the GNP and 21% of regular accounts expenditures of central government in 1991 to 3.7% of the GNP and 25% of regular accounts expenditures in 1995.

3) Composition of the Ministry of Education's Budget

The education budget can be divided by the areas of the education system that are being funded, and by the nature of the expenses. The different areas of the education system that the Ministry of Education spends money on include primary, middle, and high school education, university level education, social and national education, various organizations subordinate to the Ministry, and subsidy support. Table 4 illustrates the different areas of the education system that are funded from the Ministry of Education's budget.

The major part of the funds allocated to education go towards primary, middle, and high school education, and university level education. The following summary illustrates the areas of funding that best reflect the changes in education policy.

| | |
|--|-----------------------------|
| Expansion of the Public Technical High School System | (unit: won) 41.3 billion |
| Government Aid to Private Universities | 166.0 billion |
| Educational Loans | 130.2 billion |
| Operating Cost of Public Universities | 981.0 billion |
| Subsidies to Private Schools | 116.9 billion |

4) The Organization of the Provincial Education System's Funding

Currently, the resources allocated to the operation of the provincial education system's primary, middle, and high schools come from 3 sources: (1) support from the central government, (2) funding from autonomous local governments, and (3) payment from parents of students. In 1995, funding for local education systems amounted to 12,849.4 billion won, of which 10,677.7 billion was provided by the central government, 1,222.8 billion by autonomous local governments, and 948.9 billion by parents.

Support from the central government is composed of (1) the local education system subsidy, which is drawn from the central government's regular accounts funds and was made mandatory

Table 4. Breakdown of the Ministry of Education's Budget by Areas of Spending.

(unit: 100 million won, %)

| Classification | '94 Budget | '94 Budget | Change |
|-----------------------------------|------------|------------|-----------|
| Total | 11,068,149 | 12,621,635 | 1,553,486 |
| (1) Primary & Secondary Education | 9,504,384 | 10,689,698 | 1,185,314 |
| · Subsidies to Local Education | 9,388,250 | 10,571,235 | 1,182,985 |
| · School Lunch | 20,000 | - | △20,000 |
| · Trade Schools | 37,987 | 41,365 | 3,378 |
| · Textbooks | 5,759 | 7,550 | 1,791 |
| · Others | 52,388 | 69,278 | 16,890 |
| (2) University Education | 1,226,195 | 1,567,151 | 340,956 |
| · Facilities | 135,580 | 195,528 | 59,948 |
| · Equipment | 16,712 | 45,050 | 28,338 |
| · Subsidies to Private Univ. | 96,503 | 166,078 | 69,575 |
| · Faculty Research | 44,375 | 45,726 | 1,351 |
| · Hospital | 4,835 | 3,443 | △1,392 |
| · Loans | 104,212 | 130,274 | 26,062 |
| · Others | 823,978 | 981,274 | 157,074 |
| (3) Social Education | 96,126 | 155,527 | 59,401 |
| · Pension for Private School | 62,979 | 116,952 | 53,973 |
| · Overseas Education | 13,607 | 14,776 | 1,169 |
| · Others | 19,540 | 23,799 | 4,259 |
| (4) Support to Institutions | 26,087 | 30,718 | 4,631 |
| (5) Subsidies | 36,678 | 52,986 | 16,308 |
| (6) Hospital Operation | 178,680 | 125,825 | △52,854 |

spending by law, (2) special accounts fund taxes levied for the concessionary provincial education system fund, and (3) various other subsidies from the central government. The local education systems subsidy goes towards paying the salaries of teachers in the compulsory school system, and also funds other regular or special subsidies. By law, the local education systems subsidy is fixed at 11.8% of the government's internal tax revenue. The concessionary local education system fund, on the other hand, is put together from tax income from certain kinds of national and provincial taxes (i.e. securities taxes, revenue taxes from insurers of financial institutions, supplementary consumer taxes at the national level, and resident, property,

land, and car registration taxes at the local level). The funds that the central government provides amount to 25% of the central government's regular accounts funds, or 3.7% of the GNP. The funds supplied by the central government make up 83.1% of the total funds available to the local education systems.

Funding from autonomous local organizations is composed of (1) funds earmarked for educational purposes from regular accounts funds of the local government, (2) funds allocated pursuant to article 11 of the local education systems funding act (salaries of middle and high school teachers in the Seoul and Pusan areas, (3) 45% of the tobacco tax collected in Seoul and five other areas designated as special cities), and (4) income from property owned by the local education offices. In 1995, funding from autonomous local organizations amounted to 1,222.8 billion won, or 9.5% of the total budget for the local education system. Dues collected from parents amounted to 948.9 billion, or 7.4% of the local education system's budget.

62.5% of expenditures by the local education systems went to cover labor costs. Other expenditures included 11.2% for school operating costs, 15.9% for school facilities, and 9.2% or 1,191.7 billion as support for private schools. Table 5 illustrates the composition of the local education system's budget.

5) The Autonomous Local Education System

The current provincial education system went through five different stages to arrive at the present level of autonomy. The first stage corresponds to the period right after the transition of power from the American military government to the newly established national government, when the policy of allowing educational autonomy at the local level was first formulated. Although, as part of a policy of granting more autonomy to local

Table 5. Composition of the Local Education System's Budget in 1995
(unit: 100 million won)

| Classification | Amount |
|-------------------------|-----------------|
| National Support by Law | 106,777 (83.1%) |
| Local Government | 12,228 (9.5%) |
| Tuition | 9,489 (7.4%) |
| Total | 128,494 |

governments, a policy of establishing autonomous local education systems was formulated, it was not carried out due to the outbreak of the Korean War. The second stage began in 1952 with the establishment of autonomous education systems at the city and county levels. Unfortunately, during this stage, numerous problems in the actual carrying out of policy, such as Boards of Education becoming decision making bodies in counties, and executive bodies in cities, surfaced. After the military coup of May 16, 1980, when autonomous local rule was suspended, the duties of the Boards of Education were temporarily taken up by the Education Superintendent Office of the Ministry of Education. During the third stage, consistent with the policy of unifying all local administrative duties and assigning them to one authority, the administration of the local education system was subsumed by the autonomous local government. This was the first time that the education sector had experienced being directly subordinate to local governing authorities, and as a reaction to this, demands for autonomy, separation and independence of the education system's administrative organizations from local administrative authorities were widespread during this stage. In the fourth stage, prior to the granting of full scale local autonomy, an organization called the Board of Education was formed as a representative administrative body. During this stage, committee members were picked by the Minister of Education. In this way, although falling short of the ideal of an autonomous education system with actual administrative power in the hands of the people, the administration of education was removed from under the control of local governments, and the framework for an education system run in the most part by professional educators was built. The fifth stage is the system currently in place, where concurrent with the formation of provincial houses of representatives and full scale local autonomy at the administrative level, a policy of local educational autonomy is being pursued.

The current system grants autonomy to specially designated "metropolitan areas" (so called special cities, and direct-control cities) and to the individual provinces. Local governmental autonomy has been granted at both city and county, and "metropolitan areas" and province levels, but educational

autonomy is currently the practice only at the “metropolitan area” and province levels.

The autonomous local education systems are composed of the Boards of Education, which perform deliberative and decision making functions, and the education supervision offices, which perform executive functions. The education boards hold their deliberative and decision making powers in trust from city and provincial councils of representatives, but the ultimate decision making power in certain areas, such as the enactment of regulations, settlement of budget accounts, and other items that relate closely to the burden that citizens will have to bear, have been reserved for the council of representatives. Therefore, the education committee acts as a preliminary decision making body for the council of representatives, but in certain limited areas directly exercises deliberative and decision making powers which it holds in trust from the council of representatives.

The number of members in an education committee ranges from seven to twenty-six and depends on the number of educational districts of each particular city or province. Only 224 members are elected in the entire nation. There is one education committee member for each educational district in each city designated as a “metropolitan area,” and for each educational district in each province. The council of representatives of each city, city sector, and county choose two candidates, and education committee members are elected from this group by the council of representatives of each city and province. Thus, the actual election is a double indirect election. There is also a requirement that at least half of the education committee members must have at least 15 years of experience in the education sector. In this way, to ensure administration of the education system by professionals, the system has been set up in a way that at least half of the education committee members are professional educators.

The education superintendent’s office is an executive body whose members are elected by the education committee. Only those who have 20 or more years of experience in the education sector are eligible to become members of the education superintendent’s office. The education superintendent’s committee is in charge of the education related matters under the control of autonomous local boards of education.

II. Main Issues and Policies in the Administration of the Educational System

According to those involved in the administration of the education system, the regulation of the education system and autonomy in the operation of educational institutions and organizations are the main points of interest. Superficially, the problem appears to be concerned with the self-regulating nature of the system, but in reality is one of reaching the proper degree of balance between regulation and autonomy.

Autonomy in the education system has been established as an issue concerning the proper balance that has to be struck between the self-regulation of autonomous educational institutions and organizations, and regulation by the executive branch of the government. Specifically, the following issues have been identified: (1) the independence of the local education system from the central administrative authority, and separation of the education system in general from regular administrative authorities at both central and local levels, (2) self-regulation and accountability of universities, (3) the right of parents to choose schools for their children, and maintaining equality in the education system, (4) the partitioning of roles between official authorities and private citizens, (5) support for the education system from the government as a whole, etc. In this section, the main issues concerning these problems will be delineated, and the policy choices available to the government, as well as the tasks that lie ahead, will be discussed.

1. The Issue of Local Independence from Central Administration of Education and the Separation of the Education System from Regular Administrative Authorities

Following the policy of maintaining the local education system's administrative independence from the central government's Ministry of Education, authority over the operation of primary, middle, and high schools has been delegated to the local education system's education committees. Further, local education superintendent's offices oversee the following:

- drafting of legislation
- managing available resources (drawing up and enforcing the local education system's budget)

- establishment of school regulations
- establishment, evaluation, and closing of schools
- operation of the school system
- science and technical education, social education, physical education, improvement of school environment
- school districting (related to the project of high school standardization)
- personnel management, etc.

It is especially worthy of notice that in order to move away from the previous budgeting system where the central government decided how the funds it distributed to the local education systems would be spent, starting in 1991 a policy of dividing the total education budget based on the average cost per student in each region was instituted. In this system, for the purpose of ensuring the local education system's autonomy in deciding how to spend its educational funds, the weighted cost of education per student in each city and province is indexed, and taking into consideration the difference in expenses between primary, middle, and high school students, and the number of students and their grade levels per region, a share of the nation's education budget is allocated to each autonomous educational region. This new budget allocation system can be seen as serving two purposes: (1) promoting more effective use of resources through smaller administrative units, (2) enhancing self-regulation and accountability in the provincial governments.

In the operation of the school systems, the powers of the local board of education were increased through a policy of giving the provinces more and more independence from the central government. Towards the same purpose, a proposal to reclassify teachers as local government employees, rather than national government employees, is currently under consideration.

Concerning educational autonomy, the consensus seems to be that the problem involves horizontally independent educational units and promoting cooperation between them, rather than splitting the system into autonomous units in a vertical fashion. For instance, Boards of Education are set up as decision making bodies holding their power in trust from the government, while the local council of representatives wields the power of ultimate decision over legislation, budgets, and the closing of accounts. The rivalry and constant competition between these two

organizations is causing much loss of administrative resources. Neither has the clear horizontal division of duties and responsibilities been achieved, nor is cooperation between the local authorities and the local education system taking place. As far as autonomous local education organizations are concerned, although their main responsibility was supposed to manage educational and academic standards affairs, authority over these subjects has been removed from the local education organizations. Thus, cooperation with these local organizations is not taking place, and the scope of the role that these organizations are to play is uncertain.

Concerning these problems, it has been suggested that to strengthen the connection between the local government and the local board of education, the board of education should be given a bigger say in the make up of the educational committees, and the election of educational committee members. On the other hand, the education sector seems to prefer the increased independence of the board of education from the local government, as well as a more autonomous institution.

The reform of the local education system is being examined by the central government as an important component of educational reform. What form these reforms take will depend on the substantive content of the government's reform of the local education system.

2. Autonomy and Accountability of University Administration

The friction between the desire to guarantee autonomous administration of universities and the government's desire to regulate the universities for the public good has been present for a long time in the education system. Government regulation of university administration is related to the irresponsible administration of universities during the 50's, and the heavy-handed government regulatory policies of the May 16 military coup government. As a result of these past pressures and policies, government regulation of universities was systematized. Notably, systematic government regulation of the number of students and school affairs was instituted to combat corrupt university admissions practices and the trend of universities becoming for-profit businesses. Also, government intervention and regulation of the college entrance examination process was

begun to correct the unhealthy focus given to entrance-exam preparation by the education system.

1) The Granting of Autonomy in Fixing the Enrollment Quota

Since the late 1980's, the government's policy has been to grant more autonomy to the universities. Since 1994, this policy towards more autonomous universities has been carried out in practice in earnest. The government has formulated a plan for the establishment of a system that grants more autonomy to universities, and is preparing to put the plan into effect. The government's policy has been embodied in (1) a plan for the granting of autonomy in fixing the enrollment quota, and (2) a plan for the granting of autonomy in the administration of school affairs. The exact manner in which the college entrance exam system is de-regulated is expected to depend on what form the government's new plan for the reform of the education system takes.

Until recently, the government has mandated how many students each university would admit based on the particular university's resources and the economy's labor needs. The essential point of the new system is that the universities themselves will be allowed to decide how many students they will admit based on the demand for college graduates in the business sector. The government's current plan is to encourage the independent development of and competition among universities by expanding the scope of the administrative autonomy granted to them.

A number of problems are being pointed out concerning the putting into practice of the government's plan for the granting of autonomy in fixing the enrollment quota. The proposed solutions to these problems are also giving rise to disagreement and debate. The problems that have been pointed out concerning the form that the granting of autonomy in fixing the enrollment quota should be taking are as follows:

- The possibility of a decrease in the quality of university education brought about by the unrestrained increase in the number of students.
- Imbalance in the demand and supply of labor due to the increase of unemployed college graduates and the lack of high school (i.e. non-college) graduates in the labor pool.

- Concern over the ability of small-scale and professional universities to attract enough qualified applicants.
- Insufficient supply of graduates with technical degrees due to the increase in the size of cheaper humanities departments, etc.

Other problems that arise from the granting of autonomy in fixing the number of students to universities have also been pointed out. These are related to administrative matters that the government has to oversee (possibility of health regulations violations and of intervention by the judicial system) and to problems that might arise in accommodating the demands of other government departments that have an interest in the total number of university students. If problems such as the excessively large university student population in the Seoul metropolitan area, demands from government departments trying to stop the concentration of population in the Seoul area, and, in the case of national universities, the reliance on government supplied operating costs are not resolved, the autonomy of national universities in deciding for themselves how many students to take will be limited. From the Ministry of Education's perspective, deciding the scope and the extent of the autonomy that will be granted is also a problem that has to be resolved.

The government is following a plan that will grant autonomy in fixing the enrollment quota to universities in stages. Furthermore, the government's plan is also related to the administration of the university evaluation and accreditation system. This autonomy granting plan can be divided into three stages.

In the first stage, the "individual university and department approval plan" is going to be replaced with the "university comprehensive approval plan." The Ministry of Education will determine the number of students that the different classes of universities will be allowed to take. Within this constraint, each university will be allowed to decide what departments will be established or abolished, and what proportion of its students will go to which departments. This can be characterized as a limited autonomous system. The "comprehensive approval plan," however, will not apply to the departments that directly affect the labor supply-and-demand balance, universities located

within Seoul, and national universities. In all of the above cases, the government will continue to regulate the number of students that can be admitted. This first stage plan will be put into effect starting in 1995.

The second stage will be characterized by the "educational standards cooperative plan." Universities that can regulate themselves and work towards the common good will be allowed to decide how many students they will take as long as they conform to an education standards index established by the government. This stage will come into effect starting in 1996. To carry out this plan, the government will establish and publish an index of minimum requirements that universities will have to meet, and grant autonomy to schools that are accredited pursuant to the university evaluation and accreditation system. Important factors in the index include professor-to-student ratios, facilities-to-student ratios, and money spent per student.

The third stage will grant complete autonomy to universities in deciding how many students they will accept each year. It is expected that this stage will be achieved after 1998, when competition between universities has progressed to the point that universities will be able to fix the enrollment quota they will take relying on market forces. Universities will be able to fix the number of students they will accept autonomously, and concentrate on elevating the quality of university education and competing with other universities. The government plans only on providing information relevant to deciding the number of students to accept, and on after-the-fact inspection and supervision to maintain a level playing field.

Of these three stages, the first is already being put into effect, but the two remaining stages are related to the university evaluation and accreditation system, and the outcome of the government's plan is by no means certain.

2) Autonomous Administration of Academic Affairs

The self-regulation of academic affairs is being pursued as part of the policy of improving the quality of university education and encouraging universities to become competitive. Under the current system, the main academic rules that form the backbone of the university education system have been standardized by law. Under the current system, beginning and

ending dates of academic terms, the number of school days, credits per semester, credits needed to graduate, and the proportion of credits that need to be in the field of concentration, etc. have been standardized by law. These regulations have been effective at preventing decreases in the quality of university education, but they are inconsistent with the goal of promoting diversity and self-regulation in university education. Thus, these regulations are now serving to retard the development of a self-regulating university system.

Responding to these concerns, the ministry of education is currently pursuing a policy of granting more autonomy to universities in writing academic regulations. This measure is also aimed at expanding the autonomy of universities, encouraging the development of individuality and originality among the universities, and increasing the quality of college education in general. Thus, this policy of autonomous academic regulation can be seen as pushing the education system in the same direction as the policy of granting autonomy in fixing the number of students. The substantive content of the policy of autonomous academic regulation is as follows:

(1) Repeal of the Regulation Setting a Credit Requirement for Graduation. The credits required for graduation have been lowered steadily to the current requirement of 140 from an initial requirement of 180 credits. In the future, the number of credits required for graduation will depend on the type of university and the student's major, and each university will be able to decide for itself how many credits it will require. The repeal of the government mandated graduation requirement may potentially lead to lower and lower graduation requirements, and to less course work in universities. However, the universities themselves probably feel the need to maintain strict academic standards. Furthermore, graduation requirements should reflect the special needs of each academic discipline. More importantly, since graduation requirements are related to the number of school days, and to the academic year structure adopted, if schools are allowed to structure the academic year in their own way, they should also be allowed to determine how many credits they will require for graduation.

(2) Years of Schooling. Currently, education at the university

level is supposed to take from 4 to 6 years. The government is planning to allow individual universities to decide how many years of schooling they will require, taking into account the special needs of each discipline. However, the government will mandate a minimum length of 3 years, and certain special fields that require it will have the length of university programs fixed by the government.

(3) The current system that divides the year into two semesters, and requires at least 16 weeks of classes in each semester will be abolished. Regulations dealing with the proportion of total credits that need to be in a student's field of concentration, as well as the credits per semester requirement will be done away with, and universities themselves will be able to decide what rules to adopt. Likewise, the old tuition system, which required each student to register each semester, and pay the same amount of tuition for each semester, regardless of how the credits were distributed, will be reformed. The government plans on a new tuition system which better reflects the difference in operating costs of different types of universities and the number of credits taken each semester.

This movement towards greater autonomy of universities in adopting academic regulations can be seen as an attempt to improve the quality of university education through self-regulation and laissez-faire competition between universities, rather than as a change to a policy of non-interference.

3. The Right of Parents to Choose Schools and the Issue of Equality in Education

Equality in education is one of the most important principles that the Korean education system has tried to follow. Equality in education has been the ideological basis for the policy reforms that have aimed at correcting the entrance-exam oriented focus of the education system. Equality in education was also the ideology that was embodied in the compulsory primary school expansion programs of the 1950's, and the movements that aimed at remedying the overcrowded school conditions that prevailed in the 60's.

To correct the entrance exam focus of the primary school system, middle school entrance exams were abolished in 1968. Following this, in 1973, a high school equalization policy (HEP)

was formulated. Starting in 1974, this policy was put into practice with priority being given to the large metropolitan areas, such as Seoul, Pusan, etc. The point at which the right of parents to choose schools and the principle of equality in the school system come at odds is at the high school level, and this problem is linked to the high school equalization program.

The high school equalization policy aimed at making conditions equal in all schools, and replaced the different high school entrance exams administered by each school with one uniform high school entrance exam. The students who passed this national high school exam were assigned to different high schools in their district by lots. The policy also applied to private schools; and this led to the establishment of government aid to private schools. However, students who wish to enter trade schools are assigned to in a different manner.

Even after the adoption of the high school equalization policy, conditions in some of the provinces have not been favorable for putting this policy into practice. Thus, although until the early 1980's the plan was being put into effect in more and more areas of the country, since then, the trend has been reversed. Although in 1981 there were twenty-one administrative regions where the high school equalization policy was in effect, currently there are only fourteen active regions. In addition, the high school equalization plan does not apply to "special purpose high schools," even if they are located in a high school equalization region. Thus, these schools choose their own students, following their own criteria. These special purpose high schools were established for the education of gifted children while the high school equalization policy was first put into practice. To date, 58 special purpose high schools, specializing in science, foreign languages, arts, and physical education, have been established.

As of 1995, 765 high schools, or 42% out of a total of 1830, have students assigned to them following the high school equalization plan. This means that almost 59% of the total high school population of 2.16 million, or some 1.28 million students, are assigned to school districts by means of the lottery.

In the meantime, the high school equalization plan has received mixed evaluations. The problem is that opinions on the high school equalization plan vary from region to region and with social standing, which makes it very difficult to see a trend

and reach a consensus on the plan. Up to now, this issue has not been closely examined, but bowing to public concern on such issues as the qualitative improvement of the education system and the right of parents to make choices concerning the education of their children, a careful examination is being undertaken.

The following are the strengths of the high school equalization plan: (1) it helps alleviate the heavy burden of the high school entrance exams, consequently, reduce both the regular middle school course work load and the amount of out-of-school preparation work for high school entrance examinations, and (2) the accessibility of a high school education has been expanded and disparities in the quality of education due to regional and social differences are being mitigated.

The following are the weaknesses of the high school equalization plan: (1) the grouping together of students of different abilities makes efficient teaching difficult and does not benefit students who are weak academically, (2) since the selection of students by a school is restricted it stifles competition between schools, thus having a detrimental effect on the development of schools, and autonomous administration of private and parochial schools is restricted to the point that it stifles development, and (3) the educational choices of parents are restricted, and their inability to choose school districts and schools according to their preference is causing social discontent. Plans for reform currently being studied include a plan being researched by the Korea Institute of Education Development, and a tentative plan put forward by the Committee of Educational Reform.

The Korea Education Development Institute has suggested three different plans to reform the high school equalization system, and is evaluating them from an objective point of view. The plans are as follows: (1) the first plan is to give all the decision making powers concerning the high school equalization plan at the provincial level to the Superintendent of Education of each city or province. He would decide how to implement the plan for that region, after taking into account the opinions of the residents. (2) The second plan allows private high schools the right to autonomously select their students, provided that the schools meet some minimum standards. These private high

schools would also be able to set their own tuition, leading to financial independence from the government. The government in turn will be able to reduce the amount of aid that it gives to schools. The problem with this plan is that the selection process will depend on middle school transcripts, and the heavy focus on grades and transcripts may create problems in middle schools. Also, this plan may create a qualitative gap between private and public schools. (3) The third plan is to allow room for students to express their preferences within the high school equalization plan. Thus, students would be able to list a number of schools as their preferences, and even if they do not get their first choice, they would get a shot at the other schools on their list. School assignments according to this plan will partially reflect the students' preferences and choices, but the plan won't guarantee all students a place in the school of their choice since the number of students that can be admitted to a school is restricted.

The Educational Reform Committee is considering giving more autonomy and responsibility to private schools to complement the high school equalization plan. Under this plan private schools will be divided into three categories: (1) "independent" schools which are fiscally independent will be granted freedom to select students, (2) the schools that are fiscally assisted by the government will continue to be regulated as in the current system, and (3) the schools that have financial difficulty will be classified as "government managed schools." Concerning this last class of "government managed schools," the Educational Reform Committee is reviewing a plan that would allow the corporation that owns the school to donate it to either the central or local government, and in return be compensated for it. This plan is expected to be adopted by the government. If this is the case, the way in which "independent" schools will be designated will have to be determined and the issue of how such "independent" schools will carry out student selection will have to be resolved.

The above mentioned high school equalization will partially guarantee the right of parents to select their children's schools but falls short of meeting the demands made by parents and by consumer rights advocates. The Educational Reform Committee proposed that high schools should select their students from a

list of applicants by lottery system and should also enlarge the cluster of high schools in order to secure parents' choice of schools.

III. The Issues and Policy Concerning Educational Finance

1. The Main Issues and Determination of Tasks in Educational Finance

The main issues of education can be simplified into three: (1) private expenditure on education is too high concerning the financing, (2) local government spends too little on education, and (3) money spent on education is used inefficiently. The goals of the reform in the management of educational expenditures can be divided into the six tasks specified below.

- (1) to increase the educational expenditure and manage it efficiently
- (2) the coordination of financial responsibility to support educational expenditures between the local and national government
- (3) improve the capabilities of private schools and reform the private school financing system.
- (4) self-management of schools and efficient management of the school budget
- (5) the efficient management of the funds allocated for public education
- (6) increase the level of educational expenditure to 5% of the GNP.

First, we will review the main issues concerning the financing of education, and then deal with the policy goals and plans put forward to cope with these issues.

2. The Main Issues Concerning the Financing of Education

A problem of the Korean education system is that while funding of the public education system is deficient and financing of the public education system has a structurally weak foundation, large sums of money are spent on exam-oriented private education. This is a notable characteristic of Korean education and is a structural flaw in its funding. Due to this structural flaw, the citizens bear a very heavy financial burden,

the imbalance of educational opportunities is worsening, the financial difficulties of private schools are aggravated, and the financial resources earmarked for education are being used inefficiently.

1) The Scale of Financing for Public Education and Its Structural Weakness

The structure of the financing for public education is such that the national government bears a large share of the burden and local governments pay relatively little. The financing structure of the Korean educational system can be characterized as heavily dependent on the central government while the local governments are failing to contribute their share. About 87% of the budget of the Ministry of Education is taken up by grants for the financing of provincial education systems; in contrast, local governments contribute very little to the financing of the provincial education systems.

While the national government has borne an increasing share of the burden, local governments have been reluctant to contribute their share of financing for the educational system. In 1995 the total educational budget was 12,621.2 billion won, of which only 725 billion won, or 5.7% of the total budget, was contributed by the local governments. In the last five years the expenditures of the local governments have averaged only 5.2%

Table 6. Scale of the Ministry of Education's Budget and Proportion that go to Grants for Funding of Provincial Education Systems

(unit: million won)

| Fiscal Year | GNP (a) | Gov. Budget (b) | Ed. Budget (c) | Subsidies to Local Education (d) | c/d | b/a | c/b |
|-------------|-------------|-----------------|----------------|----------------------------------|------|-----|------|
| 1970 | 2,785,000 | 446,273 | 78,476 | 68,291 | 17.6 | 2.8 | 87.0 |
| 1975 | 10,135,800 | 1,586,931 | 227,926 | 189,467 | 14.4 | 2.2 | 83.1 |
| 1980 | 36,749,700 | 6,466,756 | 1,150,920 | 928,752 | 17.8 | 3.1 | 80.7 |
| 1985 | 78,088,400 | 12,532,363 | 2,492,308 | 2,123,938 | 19.9 | 3.2 | 85.2 |
| 1990 | 171,488,100 | 27,833,444 | 5,964,527 | 4,836,933 | 21.4 | 3.5 | 81.1 |
| 1991 | 206,812,000 | 33,520,210 | 7,041,507 | 6,122,434 | 21.0 | 3.4 | 87.0 |
| 1992 | 229,938,500 | 36,895,629 | 8,307,044 | 7,243,934 | 22.5 | 3.6 | 87.2 |
| 1993 | 266,540,000 | 41,936,266 | 9,880,023 | 8,683,844 | 23.6 | 3.7 | 87.9 |
| 1994 | 289,500,000 | 47,593,866 | 10,879,430 | 9,388,250 | 22.9 | 3.8 | 86.3 |

Table 7. Apportionment of Special Accounts Funds Earmarked for Education

(unit : million won)

| Classification | 1991 | | 1992 | |
|---------------------|-----------|------|-----------|------|
| | Budget | % | Budget | % |
| · From Central Gov. | 6,155,388 | 80.4 | 7,265,088 | 80.9 |
| -subsidies by law | 4,318,415 | 56.4 | 5,079,671 | 56.5 |
| -ed. tax | 1,436,046 | 18.8 | 1,773,313 | 19.8 |
| -special fund | 367,037 | 4.8 | 369,706 | 4.1 |
| -others | 33,890 | 0.4 | 42,398 | 0.5 |
| · From Local Gov. | 409,330 | 5.3 | 443,965 | 4.9 |
| -teachers' salary | 143,664 | 1.9 | 165,243 | 1.8 |
| -local tax | 241,427 | 3.1 | 242,648 | 2.7 |
| -others | 24,239 | 0.3 | 36,074 | 0.4 |
| · From Parents | 1,092,252 | 14.3 | 1,268,071 | 14.2 |
| -tuition | 620,979 | 8.1 | 697,378 | 7.8 |
| -others | 471,273 | 6.2 | 570,693 | 6.4 |
| Total | 7,656,970 | 100 | 8,977,124 | 100 |
| (increasing rate) | | | 17.2 | |

| Classification | 1993 | | 1994 | |
|---------------------|------------|------|------------|------|
| | Budget | % | Budget | % |
| · From Central Gov. | 8,735,875 | 82.4 | 9,015,367 | 83.2 |
| -subsidies by law | 6,263,913 | 59.1 | 6,437,204 | 59.4 |
| -Ed. tax | 2,415,753 | 22.8 | 2,569,119 | 23.7 |
| -special fund | 0 | 0.0 | | 0.0 |
| -others | 56,209 | 0.5 | 9,044 | 0.1 |
| · From Local Gov. | 452,435 | 4.3 | 626,059 | 5.8 |
| -teachers' salary | 160,832 | 1.5 | 188,528 | 1.8 |
| -local tax | 252,461 | 2.4 | 422,675 | 3.9 |
| -others | 39,142 | 0.4 | 14,856 | 0.1 |
| · From Parents | 1,410,998 | 13.3 | 1,188,690 | 11.0 |
| -tuition | 752,581 | 7.1 | 853,757 | 7.9 |
| -others | 658,417 | 6.2 | 334,933 | 3.1 |
| Total | 10,599,308 | 100 | 10,830,116 | 100 |
| (increasing rate) | 18.1 | | 2.2 | |

of the total budget. Since contributions from the central government will probably not increase substantially, funding for the education system will not increase unless the local governments start bearing heavier shares of the total burden. Of the funds that go to the local education systems, the share contributed from the local government's regular accounts funds amount to about 19.6% in Seoul, 9.3% in the special cities administered by the central government, and almost nil in the provinces.

Since the opportunities for the local governments to directly participate in the administration of the local education systems are very limited, the local governments have been very unenthusiastic about providing financial support to the local education systems. The system of keeping the local government's general administration branch separate from the local education administration systems means that the local governments and residents play very limited roles in the running of the education system, and do not feel any great responsibility towards it. The situation is especially bad at the university level, where support from the local governments is almost non-existent, and almost no cooperation between the universities and local governments is taking place.

2) The Inadequate Funding of the Public Education System

Funding for the public education system takes up about 25% of the government budget, which cannot be categorized as a small amount. However, when we consider the proportion of the GNP that goes to the funding of the public education system, or the expenditures per student compared to the per capita income, Korea spends relatively little money on its public education system compared to other countries.

Also, a large portion of the public education system expenditures is made up of inflexible costs such as labor costs. Of the financing for the local education system, including financial assistance to private school, the labor costs account for 72.7%, and the school maintenance and school operating costs are relatively low. In addition, when expenditures were examined according to grade level, it was found that almost all of the money spent went to the support of elementary, middle and high schools in the form of local education system funding and

supplementary grants, and that college funding amounted to only 9.2% of total expenditures. When the proportions of the cost of the public education system borne by the contributing sectors were examined, it was found that compared to developed nations, Korea's government contributed relatively low amounts, moreover, government support of higher level private schools was extremely low.

3) Excessive Spending on Private Education

The cost of private expenditures on education borne by parents is mostly composed of funds spent on their own initiative for the education of their children. In 1994, such private education expenditures amounted to 17,464 billion won, or 6.02% of the GNP. An examination of the proportion of the GNP and total education expenditures taken up by private education expenditures over the past 15 years shows that private education has been taking up larger and larger shares. Table 8 illustrates this trend.

Private education expenditures are composed of (1) school related purchases, (2) tutoring and other out-of-school education expenses, (3) transportation and room and board costs. Of these, tutoring and other out-of-school education expenses make up about 45% of the total private education expenses. Out-of-school education expenses are most prominent, in decreasing order, at the primary school, middle school, and regular high school levels.

As set out above, private education expenses took up about 6% of the GNP in 1994. Of this, tutoring and other out-of-school supplementary education alone took up 2.7% of the GNP. This large sum of money being spent by parents on education is not

Table 8. Change in the Proportion of the GNP and Total Education Expenditures taken up by Private Education
(unit: billion won, 1994 constant price)

| Classification | 1977 | 1982 | 1985 | 1990 | 1994 |
|----------------------|--------|---------|---------|---------|---------|
| GNP (A) | 78,015 | 100,283 | 132,061 | 221,048 | 289,500 |
| Ed. Budget (B) | 2,138 | 3,682 | 4,214 | 6,525 | 11,053 |
| Private Spending (C) | 1,708 | 3,988 | 7,711 | 12,152 | 17,464 |
| C/A (%) | 2.19 | 3.98 | 5.84 | 5.50 | 6.03 |
| C/B | 0.80 | 1.08 | 1.83 | 1.86 | 1.58 |

Table 9. Out-of-School Education Expenses per Grade Level in 1994
(unit: million won, %)

| School Level | Total | National & Public Schools | Private Schools | % of Costs Related to Exams |
|--------------|-----------|---------------------------|-----------------|-----------------------------|
| Total | 5,844,671 | 4,557,023 | 1,287,648 | 45.0 |
| Kindergarten | 198,754 | 41,755 | 156,999 | 31.4 |
| Elementary | 2,900,045 | 2,815,586 | 84,459 | 52.4 |
| Middle | 1,848,887 | 1,339,554 | 509,333 | 48.1 |
| General High | 693,486 | 270,867 | 422,619 | 32.6 |
| Trade school | 204,499 | 89,261 | 114,238 | 23.8 |

being absorbed into the public education financing system, and consequently is not being invested into improving the education system. This diversion of funds is instead contributing to the inadequacy of the school system, and thus to the discrediting of the school system. Furthermore, it makes it difficult to guarantee equal educational opportunity across socio-economic class divisions, and is promoting entrance-exam-oriented education, regional and class differences in the quality of education, and dissatisfaction in general with the education system.

4) Financial Issues Concerning Private Schools

The proportion of private schools among all middle schools and high schools is very high in Korea in comparison to the major countries. In the case of middle schools, only a portion of private schools are offering government mandated subjects. Furthermore, due to the abolition of the middle school entrance exam and the high school equalization program, the autonomy of private schools in administrative matters, i.e. in student selection and the setting of tuition, is being undermined. In addition, due to the lack of resources on the part of corporations that operate such private schools, and due to the fact that these corporations do not have any way of increasing the resources available to them, private schools are finding it difficult to maintain their ability to offer the different brand of education that characterizes private schools. In the year of 1995, private schools obtained 47.0% of their funds from tuition paid by students, 48.5% from government grants, and 2.3% from contributions by their parent corporation. Due to the abolition of

the middle school entrance exam and the high school equalization program, private schools now have to charge tuitions similar to those of public schools. To make up the deficit in private school budgets created by this, in 1995, 9.2% of the special accounts funds earmarked for provincial education were provided as grants. This was a sum in excess of 1,200 billion won in 1995.

In the case of private middle schools and high schools, most of the expenditures also go to pay for labor costs. Due to the fact that labor costs take up 93.3% of expenditures by private middle schools, and 92.3% of private high schools, even in objective terms, the amount of money that is being spent on facilities and on operating costs is too low. Due to such weaknesses in the financial structure of private schools, the gap between private and public schools is widening. For some private schools, the situation is so bad that they are no longer the objects of reasonable school choices.

As far as private universities are concerned, they derive most of their income from tuition, and aid from the government amounts to less than 1%. This government aid takes the form of grants for expansion of facilities, grants for the expansion of science related laboratories and research facilities, and loans through the Foundation for the Advancement of Private Universities. In 1995, government aid to private universities amounted to 166 billion won or to about 1.3% of the educational budget. Private universities are working towards the creation of a University Development Fund as a means to solve their financial problems, and in addition are demanding that the government give them permission to institute a "contributions-based admissions policy."

5) Inefficient Administration of Educational Funds

Currently, the purpose of the reforms whereby the central government was to adopt a system of distributing shares of the total education fund to the provincial education system is not being served. To date, the local board of education of each autonomous region is still drawing up its own education budget, based on the relative costs of schools and grade levels. Thus, the allocation of funds based on each school's special needs or characteristics is not taking place, while it is still difficult to

solicit contributions from parents and the private sector. As for public universities, government aid is being distributed equitably, based on factors such as number of students, number of employees, and number of fields of study offered. The universities themselves are in charge of drawing up their budget and expanding funding sources for supplementary funds needed for education or research.

Another problem is that there is almost no opportunity for teachers and parents to contribute their opinions during the drawing up of school budgets. Due to the fact that the correlation between expenditures and the quality of the education offered is weak, and to the fact that parents play virtually no role in the funds administration process, it is difficult to get parents to be interested or supportive. Presently, in the name of fair administration of funds for public school education, tuition for primary, middle, and high schools is being collected through the corresponding local education office, and not through the schools themselves. Donations during the three years 1992-94 amounted to only 31.2 billion won.

Contributions to universities are entirely tax exempt (tax exemption regulation article 49). Contributions to other kinds of schools are tax exempt to an amount not exceeding 10% of total income (income tax law art. 66-3). Thus, although the legal groundwork for encouraging donations has been laid, debate over measures such as the contribution based admissions policy is still continuing.

3. Expansion and Plans for the Effective Use of Educational Funding

To expand educational funding, and to manage these funds more effectively, the following measures are being studied.

(1) Maintain equilibrium between educational contributions from the central and local governments, (2) and establish principles to follow in using government contributions. Accordingly, national and public schools would continue to be funded by the government, but the government would move away from the current policy of indiscriminately subsidizing private schools, and provide aid only selectively, according to need and policy goals. Consistent with this idea, and to increase

the self-reliance and autonomy of private schools, modifications to the high school equalization plan, the policy of granting autonomy in fixing the enrollment quota to universities, and tuition setting policy, will be studied. (3) In this context, plans to divert private education expenditures to expand funding of the public education system and plans to more effectively manage public education funds will be considered.

1) Readjustment of the Division of Education Funding Duties between Central and Local Governments

The provincial governments are planning on increasing their responsibility concerning funding of primary, middle, and high school education. The cost of installations, operating costs, and subsidies to private middle schools and high schools, are going to be contributed by the local governments. To this end, the current provincial education tax rate will be increased to 30%, and the areas where the local governments have to contribute to the salaries of middle and high school teachers will be expanded to include four more direct administration special cities. Currently, local governments are contributing to middle and high school teacher salaries only in Seoul and Pusan. In addition, the proportion of the tobacco tax collected in the 6 major metropolitan areas that goes to educational purposes will be increased from 45% to 60%. Furthermore, in newly developed cities or housing development areas, local autonomous organizations will be made to contribute land for schools free of charge.

As increasing fund will transfer to the provincial education system, and this would affect the central government's budget negatively, and also would inevitably lower the amount of money available to fund university education, the government is planning on regulating the annual expenditures that go to primary, middle, and high school education in a rational manner, and on encouraging schools to find alternative funding sources on their own initiative.

The central government will in turn contribute towards the areas of education necessary to achieve national goals. These would include areas that need to be subsidized as a policy matter, such as university education, trade and technical schools, special schools for gifted children, and science

education, etc.

To promote the rational use of the educational funds expended by parents, a plan to absorb private education activities into the public education system will be developed. Thus, the money spent by parents on out-of-school education will be made available for the improvement of the public education system. Furthermore, parental contributions will be increased by making tuition and school support fees reflect real costs. Primary, middle and high school tuitions will be gradually increased, and school support fees will be diversified to better reflect regional conditions. Public university tuitions will be increased until they reflect the true cost of education, and are closer to private university tuitions. In addition, different tuition rates will be set to reflect regional and grade level differences in the cost of education. At the same time, equal access to education will be guaranteed by introducing a need-based student financial aid program.

2) Increasing the Level of Educational Expenditures to 5% of the GNP

During the 14th presidential elections, the ruling party pledged to remedy the deficiencies in the education system by increasing government educational expenditures to 5% of the GNP. Moreover, the ruling party has reissued this pledge on a number of occasions, and the administration itself has promised to add to the resources allocated to education. Thus, the issue of attaining the educational expenditure level of 5% of the GNP has become a very important task from a political point of view.

To attain the 5% GNP goal by 1998, the government is planning on yearly increases in grants to the provincial education system to 15% from the current level of 11.8%. As far as expansion of local government contributions is concerned, by 1998 up to 50% of the salaries of middle and high school teachers in Seoul and the five directly administered special city regions will be supplied by the local governments. Currently, local governments are contributing to the salaries of middle and high school teachers only in the Seoul and Pusan areas. In addition, the proportion of the tobacco tax collected from the 6 metropolitan areas that is transferred directly to the ministry of education will be increased from 30% to 45%. The government's

Table 10. Estimated Education Budget

(unit: billion won)

| Classification | '94 Budget | 1995~1998 | | | | Total |
|--------------------------|---------------|-----------|---------|---------|---------|--------|
| | | 1995 | 1996 | 1997 | 1998 | |
| · GNP Estimated | 300,700 | 339,500 | 364,300 | 405,800 | 450,000 | |
| · % of GNP | 3.6% | 3.7% | 4.6% | 4.8% | 5.0% | |
| · Ed Budget Estimated | 11,414 | 12,512 | 16,758 | 19,478 | 22,525 | 71,399 |

plan also includes provisions for allocating an increased proportion of local taxes to education, as well as improving school facilities.

However, there is currently debate about how the government should go about achieving its goal of increased educational expenditures. The education sector is interpreting the government's promise as meaning that funds contributed by the government, which amounted to 3.6% of the GNP at the time the promise was made, would be increased to 5% of the GNP. In other words, that the government's promise of expanding expenditures to 5% of GNP should be kept by increasing local and central government contributions. In contrast, opinions that the government's promise means that the budget of the ministry of education and the local education offices, including tuition contributions from parents, would be increased to 5% of the GNP have also been forwarded.

The education sector is demanding that the government keep its promise by expanding central and local government contributions to 5% of the GNP. The government, however, claims that the president's promise means that central and local education budgets, including parental contributions in the form of tuition, will be increased to 5% of the GNP. Currently, the government is planning only on increasing funding until central and local education budgets reach 5% of the GNP.

3) Private School Autonomy and Reform of the Government Aid Program

The government is planning to reexamine the high school equalization policy to reform the private school aid program and to make private schools more autonomous. As for universities,

the "university evaluation and accreditation system" will be used to classify and selectively aid private universities. Government aid to universities will be used to promote qualitative improvements in education. Furthermore, the government intends to reform the administration of private universities by providing indirect aid such as research grants rather than direct aid such as operating costs subsidies.

4) Autonomy in School Administration and Introduction of Autonomy in the Drafting of School Budgets

Since the educational expenditures special accounts funds managed by regional autonomous organizations are difficult to budget in a way that takes into account the special needs of each school, the government is planning on introducing a system that grants autonomy to each school in drafting its own budget. Rather than allocating the funds that go to each school to different expenditure categories, public schools will be given a total budget amount that they will be able to spend in whatever way they see fit. This system, similar to the one adopted for private schools, will be made possible by the gradual increase in educational funds contributed by each province. To this end, each school will form a "school administration committee" that will draw up the budget, consider school administration matters, and collaborate to increase the resources available to each school. Such "school administrative committees" will be composed of parents, teachers, and local leaders. In addition, budgeting and closing of accounts information will be made public as a measure to promote effective budgeting.

5) Effective Use of Public Education Funds

For the effective use of local provincial education resources, proceeds from the sale of land following the closing or consolidation of small-scale schools will be made available to the local school system. In addition, the government plans on establishing a policy that will curb the unrestrained expenditure of government funds for items that can be financed through parental contributions. As a related policy initiative, the government intends to expand the school-provided lunch program through parental contributions. In addition, the areas where middle schools have to provide government mandated

subjects will be limited to their present extent. In particular, compulsory middle school education areas are not going to be expanded to include city regions.

In addition, to increase the autonomy of national universities, and to diversify and expand funding sources, local boards of education will study ways to expand funding for universities located in their regions. The administrative autonomy and responsible management of national universities will be promoted through the drafting of budgets tailored to each university's needs.

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