

Korean Child Care Policy: Current Status & Improvement Measures

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C O N T E N T S

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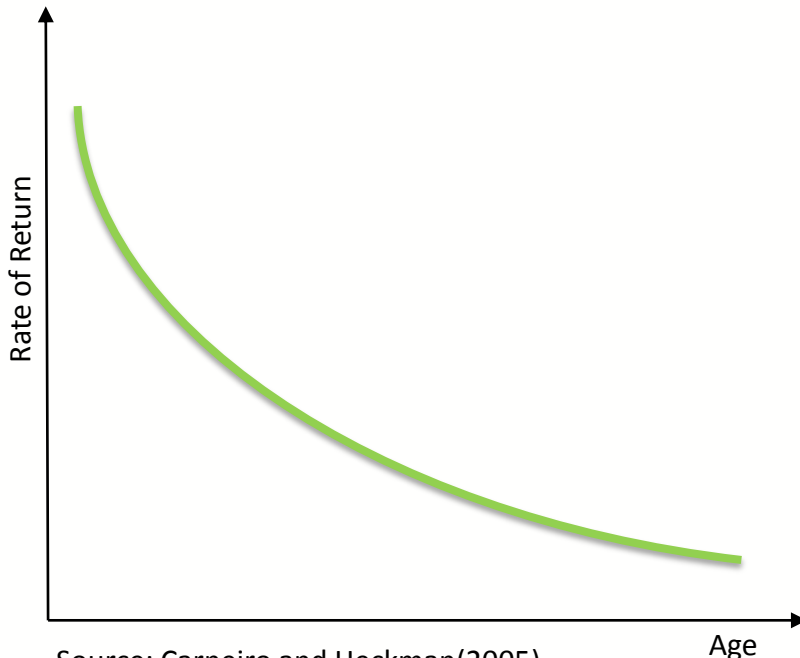
Measures to Improve Child Care Policy



Policy Goals

Policy Goal (1): Support for Child Development

Returns to Educational Investment



Source: Carneiro and Heckman(2005).

- Skills developed in early years serves as the base of human capital accumulation in the future .
 - Here, skills imply one's ability which influences the social and economic success of individuals, and includes cognitive skills and social and emotional skills such as patience, planning quality, discipline, study motivation.
 - The returns to educational investment decrease with advancing age(Cunha and Heckman[2008]).
 - When skills are developed earlier, it would be easier to supplement it, leading to upgrading skills throughout life.
 - Human brain develops most sensitively in the early years, followed by a gradual decline in plasticity.

Policy Goal (2): Increase in Women's Labor Force Participation(Cont.)

- With the rapid pace of population aging in Korea, the importance of women's role in the labor force has increased significantly.
 - The decline in labor force participation brought by population aging would reduce the potential growth rate and increase the cost of elder care.

International Comparison of Population Aging Status

(Year)

	Years of Entry			Speed of Aging	
	Aging Society (7%*)	Aged-society (14%*)	Super Aged-society (20%*)	7% → 14%	14% → 20%
Korea	2000	2018	2026	18	8
Japan	1970	1994	2006	24	12
France	1864	1979	2018	115	39
Italy	1927	1988	2006	61	18
US	1942	2015	2036	73	21
Sweden	1887	1972	2014	85	42

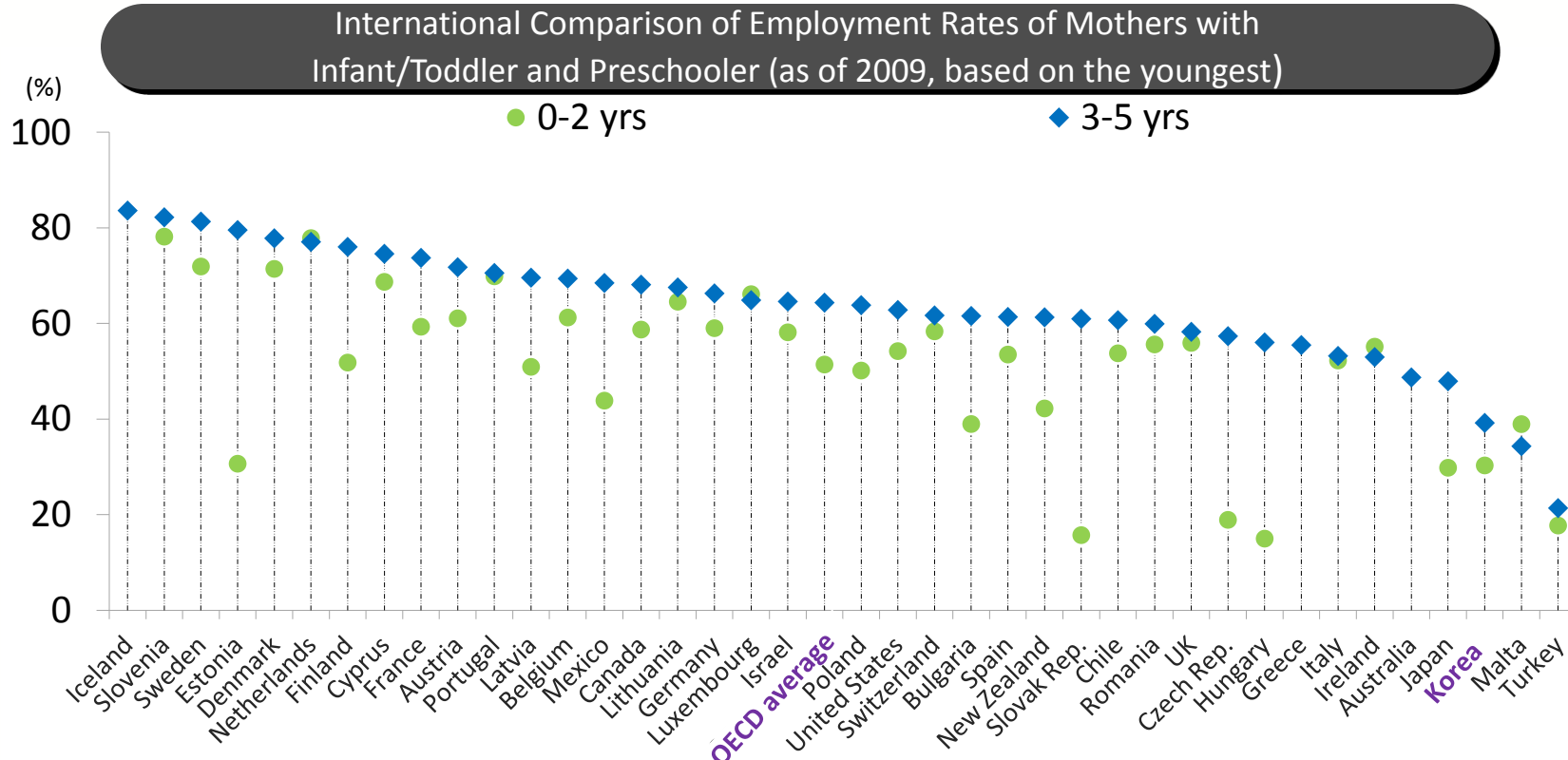
*: Proportion of population aged 65 and over.

Source: *Population Projection*, Statistics Korea, 2006.

Policy Goal (2): Increase in Women's Labor Force Participation (Cont.)

■ Korean women are likely to be under much larger burden of childcare than other countries.

- As of 2009, the employment rates of mother with infant/toddler(0~2yrs) and preschooler(3~5yrs) are 30.3% and 39.2% , respectively, one of the lowest among the compared nations(OECD average: 51.4%, 64.3%).



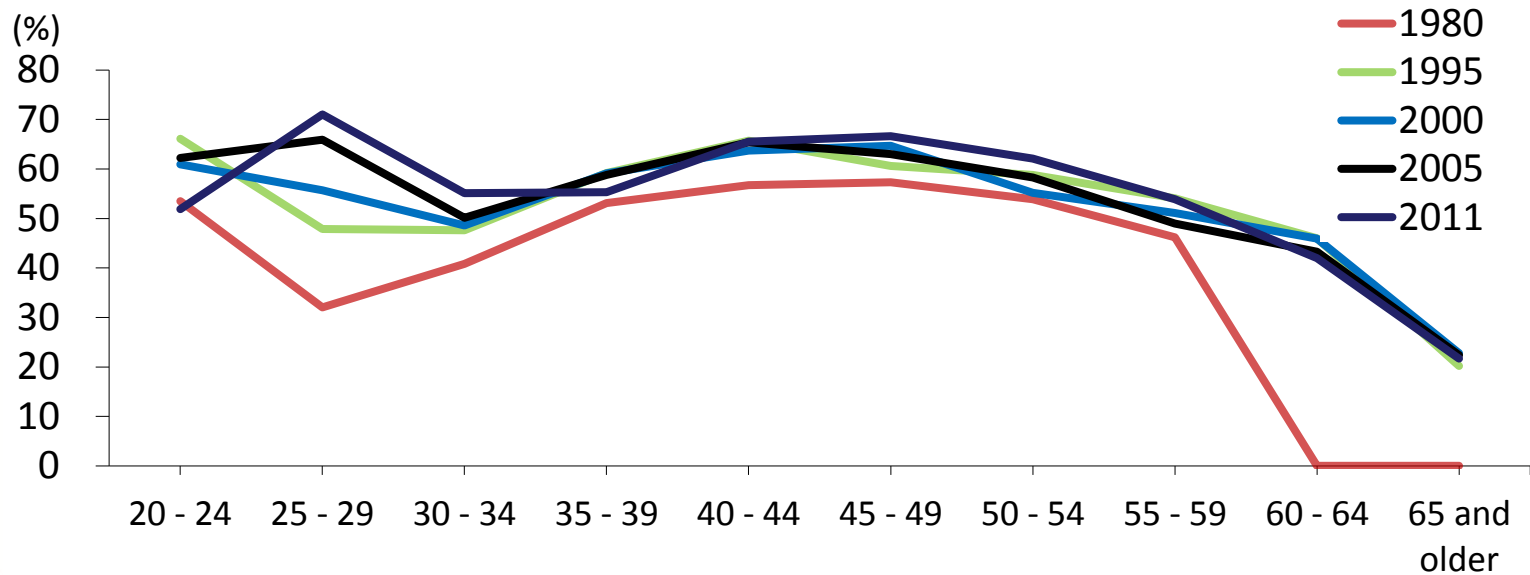
Source: Kim(2012); Note: As of 2010 in Chile, 2007 in Sweden, 2006 in Switzerland, 2005 in Japan and US, 2002 in Iceland, 2001 in Canada, 1999 in Demark; As for Israel, the employment rate of women with their youngest child aged between 0~1 yrs and 2~4 yrs are sampled, and as for Australia and Iceland, those with their youngest child is younger than 5 yrs are sampled.

Policy Goal (2): Increase in Women's Labor Force Participation

■ It is necessary to improve the incentive for women's labor force participation and productivity by reducing their burden of child care.

- Childbirth and child-raising are the main reasons of women at their 30s leaving the labor market.
 - Due to the delay in marriage and childbirth, the lowest point of women's labor force participation rate is gradually moving towards the right.
- A career interruption depreciates human capital and reduces the incentive for investment in human capital.

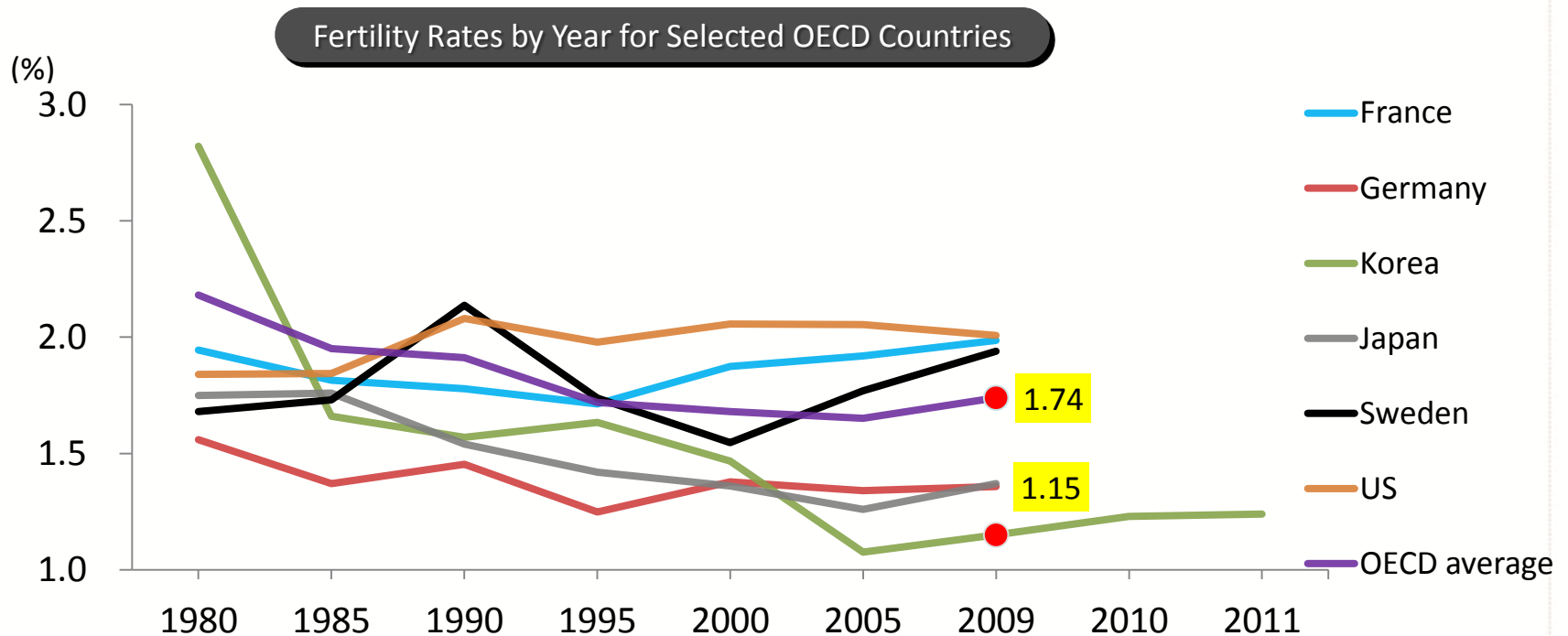
Women's Labor Force Participation Rate by Year and Age Group



Source: Economically Active Population Survey, Statistics Korea

Policy Goal (3): Increase in the Fertility Rate(Cont.)

- Increasing the fertility rate has been considered the most significant goal of the Korean child care policy.
 - Since 2002, Korea's fertility rate has been among the lowest in OECD countries.
 - Fertility rate as of 2009 - Korea: 1.15, OECD Average: 1.74



Note: Fertility rate of Korea is until 2011, and those of other are until 2009.

Source: OECD Family database , Statistics Korea.

Policy Goal (3): Increase in the Fertility Rate

- The fertility rate can be increased by reducing childbirth expenses such as (1) direct child-rearing expenses, (2) the loss of earned income due to career interruption, (3) the loss of income due to human capital depreciation during career interruption.
 - Child care subsidy reduce (1), (2), and (3).
 - Child home care allowance supplement (1), but increases (2) and (3) by decreasing women's incentive to work .
 - High quality child care services promote child development and reduce women's opportunity costs of economic activities -> reduce (2) and (3)



Current Status

- Starting from Mar. 2013, a full-time (68 hours/week) child care subsidy is being provided for all 0~ 5 yrs.

Child Care Subsidy and Its Targets by Year and Age

Years of Age	Monthly Child Care Subsidy (Mon. ~ Fri.: 7:30 ~ 19:30) (Sat: 7:30~15:30) (Won)		Child Care Subsidy Targets			
			2011	2012	2013	
0	394,000		Bottom 70% of the income bracket	All income brackets	All income brackets	
1	347,000					
2	286,000					
3	2011	197,000	Bottom 70% of the income bracket	Bottom 70% of the income bracket		
	2012	197,000				
	2013	220,000				
4	2011	177,000		Bottom 70% of the income bracket		Bottom 70% of the income bracket
	2012	177,000				
	2013	220,000				
5	2011	177,000			Bottom 70% of the income bracket	All income brackets
	2012	200,000				
	2013	220,000				

Note: Monthly child care subsidy for those aged between 0~2 yrs is the same for 2011 and 2012.

Source: 2011 Child Care Project Guide, 2012 Child Care Project Guide, How to receive child care subsidy and child homecare allowance, Ministry of Health and Welfare.

Child Homecare Allowance

- Child homecare allowance refers to a financial benefit given to parents who choose to not send their child to child care center.
- Starting from Mar. 2013, all households with children aged 0~5yrs are given eligibility to take this allowance so as to increase the fairness towards all the beneficiaries of child care subsidy.

Child Homecare Allowance and Its Targets by Year and Age

Age	Monthly Child Homecare Allowance (Won)	2011~2012	2013
0	Younger than 12 months: 200,000	Bottom 15% of the income bracket	All income brackets
1	Younger than 24 months: 150,000		
2	Younger than 36 months: 100,000		
3~5	100,000	-	

Source: 2011 Child Care Project Guide, 2012 Child Care Project Guide, How to receive child care subsidy and child home care allowance, Ministry of Health and Welfare.

Status of Child Care Centers

- Child care centers are categorized into public, corporate, workplace, parent collaboration, in-home and private.
- Public, corporate and workplace child care centers are subsidized with a certain percentage or amount of wage of their child care teachers every month, and teacher's wages are paid on seniority-based.
- Parent collaboration, in-home, and private child care centers are given monthly basic subsidy per registered child and pay their teachers at their discretion above the level of the minimum wage .
- Public child care centers are considered to provide quality services at a low price, but it only accounts for 5.2% of the total, raising a strong demand for additional public centers.

Types and Status of Child Care Centers by Founder

	Total	Public	Corporate	Workplace	Parent Collaboration	In-home	Private
Number of Centers (%) (As of Aug. 2012)	41,803 (100.0)	2,174 (5.2)	2,324 (5.6)	500 (1.2)	106 (0.3)	22,359 (53.5)	14,340 (34.3)
Main Government Supports		Subsidizes 30~80% of salaries of the head and teachers of child care centers		Subsidizes 800,000~1,000,000 won of monthly salary of employees	Subsidizes Basic Child Care Fee according to the number of enrolled 0~2yr olds at center 0 yrs: 361,000 won 1 yrs: 174,000 won 2 yrs: 115,000 won		
Wages of employees		Seniority-based			At their discretion above the level of the minimum wage		

- Local authority can limit the number of corporate, private and in-home child care centers, comparing the demand for child care services with the supply of child care facilities in the region.
 - Example: Cases of where the capacity of child care centers in the region exceeds the *demand for child care services** or the number of enrolled children, or when the rate of accredited child care centers in the region reaches less than the target goal that they set.
 - * *Child Care Demand*: The number of children subject to child care services within the region X *The rate of child care demand***
 - ***The rate of child care demand*: The ratio of children who are currently enrolled at child care facilities and also are expected to register in the near future
 - As of 2011, 34.3% of the total local authorities have completely limited the authorization of child care centers, and 42.6% have partially limited.

Efforts to Improve the Quality of Child Care Services

- The quality of child care services is managed by monitoring guidance and information disclosure.
 - On regular and frequent basis, government monitors the management status of child care centers to check whether they comply with the regulations and guidelines about opening hour, priority of access to the center, meal & food requirements, and health & sanitary conditions, etc.
 - Also, child care centers are accredited according to the requirements on care-giving environments, curriculum, interaction & teaching method, health & nutrition, safety and so on. The government posts the results at a website or a signboard.
 - Starting 2012, the ex-post monitoring on accreditation has begun, and the information on child care centers, such as expenses other than child care fee, acquired qualification of teachers and their tenure, are available to the public, and all child care centers are mandated to form a steering committee.
 - More information will be available in 2013 such as details on accreditation and the entire record of administrative corrective measures.

Accreditation by the Type of Centers

As of Aug. 2012	Total	Public	Corporate	Workplace	Parent collaboration	In-home	Private
Number	41,803	2,174	2,324	500	106	22,359	14,340
Accredited Child Care Centers (% of the total)	24,964 (60.0)	1,926 (88.6)	1,889 (81.3)	261 (52.2)	39 (36.8)	12,313 (55.1)	8,536 (59.5)



Pending Problems & Issues

Problem (1): Over-emphasis on Reducing Child Rearing Expenses to Increase Fertility Rate

- Korea has so far focused on increasing the fertility rate by subsidizing child rearing expenses, but it is an overriding view among researchers that the subsidy is more effective in having children at an earlier age than having more children.
 - France's cash supports in the late 1970s ended up with increasing the number of children only by 0.2, and even when the government provides full supports for child-rearing expenses, the number of children is estimated to rise by only 0.3(Ekert[1960]).
 - UK's child benefits serves to encourage having children earlier, but even after child benefits was doubled, the average number of children rose only by 0.17(Ermisch[1988]).
- Recent family policy in foreign countries is leaning more to the compatibility of work and family life than to financial supports for child-rearing expenses in their efforts to increase women's labor force participation and fertility rate at the same time.
 - Generous maternity and parental leave, more number of child care facilities and flexible working hours, which support the compatibility of work and family life, help reduce child rearing expenses by shortening the period of career interruption following child birth.
- Supporting child-rearing expenses regardless of the employment status of mothers may serve as an additional household income and therefore undermine incentives to enter the labor market (Cho[2006])

Problem (2): A Full-day Care Subsidy regardless of Employment Status of Mother

- A full-day child care subsidy is being provided to young children of non-working mothers who do not require a full-time care at facility, and this results in the inefficiency in terms of fiscal management.
 - At the infant and toddler stage, building secure attachment with the main caregiver and obtaining the awareness of the five major senses (sight, taste, sound, touch and smell) are the key process. With sensitive care by parents with affection, a full-time care at facility is unnecessary.
 - In Northern Europe, it is common that parents of children aged 0 use parental leave and take care of them directly, instead of sending them to facility. (Rate of facility use by children aged 0, as of 2010 - Korea: 27.9%, Denmark:17.5%, Finland: 1.0%, Norway: 4.2%, Sweden:0.0%)
 - At preschool age, children develop personality, creativity and language ability, and hence it is necessary for them to be exposed to educational environment and to experience social exchanges with others. However, such environments should not be necessarily limited to facility.
 - Preceding analysis on the UK data reveals no statistically significant difference in child development between the part-time and full-time users of child care centers (Melhuish[2004]).

Problem (3): Possibility of Education Gap Widening between Different Income Classes (cont.)

- Child care subsidy and homecare allowance for children regardless of their income class is considered inefficient in terms of return to educational inputs and also unequal since they widen the education gap between different income classes.
 - Young children in high-income households are more likely to be exposed to various educational opportunities, meaning that they are already given larger investment, which makes additional educational input towards them not very efficient.
 - When a children are not sufficiently developed in the early childhood period due to the shortage of supports for low-income , they will find it increasingly difficult to develop and accumulate additional skills. Subsequently, the education gap in the early childhood is gradually widening, as school curriculum becomes more challenging as the grade level goes up.

Problem (3): Possibility of Education Gap Widening between Different Income Classes (cont.)

- In the government's early intervention in young children from disadvantaged backgrounds turns out to be highly cost effective, but only a small number of them have been benefited.
 - the case of the US High/Scope Perry Preschool Program which conducts home visits and education to develop cognitive ability of preschoolers (aged 3~4) who live with low-income and less-educated parents, the cost-benefit ratio recorded 16 times when those children reached 40 years old.
 - As of 2009, the number of infants and toddlers and preschoolers in the bottom 15% of income bracket that is estimated to be 140,000 and 120,000, respectively with only 2.5% of infants and toddlers and 4.5% of preschoolers receiving the benefits of the Dream Start project.
 - Dream Start is a comprehensive children welfare policy which aims to promote all-round development of children and restore the family function by providing pregnant women and households with children aged 12 or younger residing in low-income high density areas with customized integration services.

Problem (3): Possibility of Education Gap Widening between Different Income Classes

- When homecare allowance is extended to cover preschoolers, the education gap between income classes could be widened further.
 - Homecare allowance serves to decrease the labor supply of low-income and less-educated women with low opportunity cost of career interruptions .
 - When low-income and less-educated women choose the allowance (home care) over subsidy (facility care), their preschool children might not have enough access to various learning stimulation and plays with peers.

Problem (4): Degradation of Quality Care due to the Lack of Information

- The reason of low child care quality so far was that incentives for service providers to provide high-quality care services have been reduced, due to the lack of information on the quality of care service.
 - For instance, in the absence of parents, children are fed expired foods.
- Compared to other types of child care centers, when it is difficult to check the quality of care services, public and corporate child care centers are more likely to provide better quality services, because operators are likely to be more committed to education, or face limited opportunities to pursue personal interests since the salary is seniority based.

**Satisfaction with Child Care Centers by Type
(Compared to In-home and Private Child Care Centers)**

	Surrounding environments	Facility equipment/interiors	Teaching materials and tools	Indoor atmosphere	Health care	Healthy meals and snacks	Safety	Curriculum
Public	0.04 (0.05)	-0.00 (0.04)	0.00 (0.05)	0.04 (0.04)	0.09** (0.04)	0.12*** (0.04)	0.04 (0.04)	-0.02 (0.04)
Corporate	0.09* (0.05)	0.06 (0.05)	-0.05 (0.05)	0.12** (0.04)	0.10** (0.05)	0.13*** (0.04)	0.09** (0.04)	0.09* (0.04)
Workplace	-0.05 (0.11)	0.17 (0.10)	0.17 (0.11)	0.25** (0.10)	0.13 (0.10)	0.19* (0.10)	0.18* (0.10)	0.05 (0.10)

Note: *, **, *** statistically significant at the 10%, 5%, and 1%.

Source: Kim(2012).

Problem (5): Limiting Facility Competition through Quantity Regulations

- Child care centers in areas under limited authorization may attempt to increase charges for child care or be less attentive to the quality service.
 - Since new license is not approved, it is often the case that people have to pay foregift, or an extra premium, to take over a center, and later they may try to recover the loss by cutting the operation expense. Eventually, this would end up with eroding the quality of child care services.
 - Even low-quality child care centers are ensured to have at least a certain number of children to be enrolled. So, in the case of when they charge parents some expensive surcharge in the name of extracurricular activities, they still won't be forced out of the market.
 - Child care centers, which remain safe from market competition thanks to quantitative regulation, are highly likely to resist the information disclosure of their operation expenses and service quality in order to sustain their monopoly profit.



Measures to Improve Child Care Policy

Improvement Measure (1): Focus the Support on Working Mothers and Disadvantaged Children

- Home care allowance needs to be provided to infants and toddlers only.
- According to the income level of the household, child care subsidy and home care allowance need to be provided on a differential scale. Subsidized hours at child care centers need to be revised according to the employment status of the mother.
 - It is necessary to seek a balance between the child home care allowance and the part-time child care subsidy given to non-working mothers.

-> Equal educational opportunities for all young children, more incentives for women to participate in economic activities and to have children

Improvement Measure (2): Upgrading Quality through Competition among Facilities

- While strengthening the monitoring and disclosure of information, it is necessary to discontinue quantity regulation so as to encourage quality competition among facilities.
 - It is necessary to monitor and maintain the accreditation quality, to disclose the respective scores of assessment, and to ensure the proper operation of the steering committee of child care center.
 - While actively promoting the importance of quality child care services in terms of child development, it is recommended to distribute a checklist to help parents check out detailed information on facilities prior to purchasing services.
 - When regulations on the establishment of child care centers are removed after ensuring that the public has easy access to information on care service quality, this could encourage facilities to compete actively in order to secure more children at their centers by improving service quality and reducing expenses.
 - It is necessary to increase the number of public child care centers in rural areas where private facilities are rare and are not easily established on their own due to insufficient child care demand.
- > Child development, less burden of labor market participation, higher fertility rate**



Thank You