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Lessons learned from financing universal higher education in Korea

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ABSTRACT

Since 2005, the total expenditure for Korean higher education has increased. However, the financial support is still anemic compared to financial support for K-12 education. This paper first explain the current situation and problems of financial support for higher education and then suggest policy implications.

There are 9 hindrances to securing university funding in Korea: instability, small total allocation, overlapping investments by central government, inconsistency in program promotion goals, connectedness to university structural reform, imbalance among financial support targets, opaqueness of financial support predictability, private university financial structures that heavily depend on tuition fees, and various causes of increases in tuition.

Here are several possibilities for solving financial problems in universities and for securing financial support from the government: Financing Higher Education Grants, a higher education tax, formula funding, support for local universities, support for private universities, and financial support that is oriented to consumers.

Directions for state subsidies programs can be categorized as follows: financial support that considers both of equity and excellence, unified administration of governmental support funds, reductions of program support, operating expense support to private universities, and dividing financial support for private universities by their financial condition. The key tasks to solve the problem of financial structure in Korean higher education are three such as high dependency on private institutions, heavy dependence on tuition, and the government's minimum investment rules. There should be discussions about high dependency on private resources for university education financing.

1. Introduction

Since 2005, the total expenditure for Korean higher education (i.e., four-year colleges and universities, industrial universities, and polytechnic colleges) has increased and has come close to US\$29 billion.¹ This may seem a huge amount since it represents more than 2.5% of GDP. However, of the US\$29 billion, the government supported only about US\$9.0 billion in 2015,² which has increased about \$1.6 billion in 2015 compared to 2014. In addition, this amount takes up 27.3% of the total university expenditure; it is less compared to Japan, where there are fewer private schools, with 34.4%, and much less than the OECD average of 71.8%. Regardless of whether universities are public or private, tuition takes up the biggest share of the total. In summary, in relation to GDP, the investment percentage in higher education is 2.6%. This amount is higher than the OECD average of 1.6%, but shows a lower government investment percentage (0.7%) compared to the

OECD average (1.1%) (OECD, 2014).

From the public's perspective, it seems that investment in higher education is not a nominal amount. This is due to policies reflecting a high number of financial support programs every year, such as Brain Korea 21 (BK21), New University for Regional Innovation (NURI), world-class university (WCU), University Educational Capacity Enhancement Program (UECEP), Leaders in Industry-university Cooperation (LINC), and Creative Korea (CK). In addition, there is going to be a new policy called the Program for Industrial needs Matched Education (PRIME), which is providing support of US\$171 million in 2016; however, the financial support is anemic compared to financial support for K-12 education.

Resistance from the voters to the rise in tuition and the issue of "half-tuition" has blocked most of the universities from increasing their tuition fees since 2008. Another important factor is the decrease in the number of high school students who are considered main assets to

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E-mail addresses: kimbj@ynu.ac.kr (B. Kim), ngpark@gnu.ac.kr (N. Park).¹ \$1 = 1170 Korean won² The actual financial support decreases when excluding National Scholarship Expenditure (US\$1.6 billion dollars) including Korean Scholarship Foundation (285 thousand dollars). Operational support for public universities (3.9 billion) and UECEP (1.4 billion) takes the largest part of financial support (The Ministry of Education, 2015).<http://dx.doi.org/10.1016/j.ijedudev.2017.09.010>

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Table 1

Number of higher education institutions.

Source: Ministry of Education, Korean Education Development Institute. *Educational Statistics in Korea*. each year.

Year	Total	University	University of education	Industrial university	Graduate university	Technical college	Other
1970	168	71	16	–	–	65	16
1980	237	85	11	–	–	128	13
1990	265	107	11	6	–	117	24
2000	372	161	11	19	17	158	6
2010	411	179	10	11	40	145	26
2015	427	185	10	2	47	137	46

universities. As a result, the Korean government is implementing university structural reform to decrease university quotas. Private universities suffer more severe circumstances. Tuition per student in private universities is twice that in public universities, but the educational expense per student is much less. The government's "half-tuition" policy, using increased government funds, made a big impact. With the increase of government tuition funding for students, the proportion of funding for other university expenditures had to decrease. Moreover, seven years of fixed or decreased tuition had caused private universities to experience financial difficulties.

The Korean government, realizing the magnitude of the problem, has recently been increasing financial support for universities. For the past five years, rate increases in financial support for universities from the government have exceeded 10%. However, increasing financial support for higher education is difficult due to two arguments: first, that K-12 education should receive greater financial support; and second, that the rule should be enforced that only the beneficiaries and founders should deal with handling the finances in higher education. Therefore we first explain the current situation and problems of financial support for higher education and then suggest policy implications.

2. Current situation of Korean higher education and financial support from the government

2.1. Current situation and problems of higher education institutions

Table 1 shows that the number of institutions has increased by 259 over the past 45 years from 168 in 1970 to 427 in 2015. In terms of types of institutions, 4-year colleges are the greatest majority, numbering 185, followed by technical colleges (137), and graduate universities (47). The pattern of types of institution have changed since 2000: a decrease in technical colleges from 158 to 137; a decrease in industrial universities from 19 to 2; and an increase in universities from 161 to 185. The change in the pattern of types of institutions is due to conversions from technical colleges and industrial universities to universities.

Table 2 shows the number of students in higher education institutions chronologically by type. As the number of institutions has increased, the number of students has also increased: 17.9 times from 201 thousand in 1970 to 3.6 million in 2015. In terms of types of institutions, the number of students enrolled in technical colleges and industry colleges decreased from 910 thousand to 720 thousand and from 170 thousand to 45 thousand, respectively. However, the number of students enrolled in university increased by 27% from 1.66 million to 2.11 million due to the conversion from technical colleges and industrial universities to universities.

There are various kinds of higher education institutions in Korea: 4-year university, industrial university, technical college, miscellaneous school, cyber university, company college, technical college, polytechnic college, specialized college, and university of graduate studies (which has graduate school only). Table 3 shows that the total number of institutions was 427 in 2015, the majority type consisting of university, which includes 4-year university and junior college. When combined, those two types include 358 institutions, 3.22 million

students, and 90 thousand faculty and staff.

The entrance rate of high school graduates in 1980 was 27.2%; in the 1990s it increased dramatically. The highest point was in 2010 with 75.4%, decreasing to 70.8% in 2015. The problem is that the number of high school students is decreasing annually. A decrease in the number of high school graduates will lead to a decrease in the college and university enrollment rates and thus a shortage of students in universities and colleges. Starting in 2018, the university quota will be greater than the actual number of high school graduates, and after 2020, a dramatic decrease in the portion of the quota met will lead to severe problems for colleges and universities in Korea since the majority of financing comes from student tuition fees. Therefore, the Korean government is decreasing the university quota and reforming structures in relation to financial support relative to the results of institutional evaluations. Every university is categorized into 5 levels and for each level, different actions are required in terms of any decrease in enrollment quota, including: restriction in participation in governmental financial support programs, denial of government funding, restriction in educational expansion loans, and leading voluntary abolishing of the institutes that would be difficult to survive.

2.2. Legal basis for financial support to higher education

By law, the nation performs three roles in relation to the universities (Song, 2000). The first is the role of the founder of a public university; the second is the role of manager and supervisor of public and private colleges and universities; and the third is the role of supporter and promoter.

The central government and local governments can build and manage schools, including universities (Fundamentals of Education Act, Clause 1, Article 11), and by doing so must meet the basic standards for facility equipment presented by Presidential decree (Fundamentals of Education Act, Clause 1, Article 16; Higher Education Act, Clause 1, Article 4). As a founder of public universities, the government has already fulfilled one of the roles mentioned above. In addition, the government directs and supervises universities (Fundamentals of Education Act, Article 17) and universities receive guidance and directions from the Minister of Education (Higher Education Act 5; Private School Act, Clause 3, Article 4).

However, the government's role as supporter and promoter of higher education has been neglected. The function of support and promotion of the university is fulfilled in terms of university finance. Educational finance support from local governments is legalized in the Fundamentals of Education Act, but there is no mention of university finance.³

Although as specified in the Fundamental Education Act, Article 25, "central government and local governments are to support and promote private schools and help the schools achieve their diverse and unique

³ According to the Fundamental Education Act, Article 7 (Educational Finance) Clause 1 "Central government and local governments should make and implement policies that are needed to secure educational finance stability" and in Clause 2 "grants for local education to secure financial stability should be established in accordance with the Local Education Subsidy Act"; these are only for financing K-12 local education.

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