Education decentralization, school resources, and student outcomes in Korea

Dong Wook Jeong*, Ho Jun Lee, Sung Kyung Cho

Department of Education, College of Education, Seoul National University, 1 Gwanak-ro, Gwanak-gu, Seoul 08826, Republic of Korea

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**A B S T R A C T**

Government decentralization is in worldwide use for education reforms. It takes different forms across countries from political and fiscal perspectives. It is a unique feature that the governance of Korea is politically decentralized, but it remains fiscally federalized. In this article, we utilized both political and fiscal perspectives to evaluate her decentralization by school resources and student outcomes. After analyzing the panel data, we find that fiscal decentralization is positively related to student outcomes. In contrast, we find little evidence on any relationship between political decentralization, school resources, and student outcomes. Lastly, we draw useful policy implications for developing countries whose decentralization moves like Korea.

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1. Introduction

Decentralized governance has been an unprecedented and fundamental part of ongoing education reforms in many countries. A uniform and unilateral provision of schooling under a centralized system is blamed for at-risk education that includes lack of competition and inefficient use of public resources (Friedman, 1962). The premise of decentralized governance is to eliminate or reduce these monopoly abuses by increasing competition among service providers. Through competition, local governments become pressured to deliver high quality schooling that encompasses diverse resources and bilateral schooling services with little waste to meet students’ needs and preferences. According to the decentralization theorem (Oates, 1972, 1999), local government entities legitimately secure accountability and responsiveness since they can take better advantage of local information and knowledge. Moreover, political democratization in addition to economic efficiency is another equivalent or even greater compelling driver of prevailing decentralization globally. Many developing countries have undergone the shift from authoritarian rule to democracy over the past two decades. This has been coupled with a sequential move toward local democratic governance.

Education decentralization is a multifaceted concept with political and economic aspects. It takes many forms in different countries depending upon how political and fiscal responsibilities are allocated to lower levels of government. Decentralized governance is practiced for different reasons in different places using different instruments. Not all politically decentralized governances are fiscally decentralized, and vice versa. Importantly, clearly different patterns of education decentralization exist. On one hand, many industrialized countries including Germany, Spain, and the United States feature high levels of both political and fiscal decentralization in government (Diaz-Serrano and Meix-Llop, 2012). On the other hand, many developing countries have adopted politically decentralized, but fiscally centralized, governance. Gadenne and Singhal (2014) reported that developing countries have a substantially lower level of fiscal decentralization than industrialized countries. They reasoned that developing economies face a severe lack of local capacity in raising revenue and have little capability of delivering public services effectively. Fiscal federalism is, not an exclusive property of developing countries. For example, the United Kingdom combines a low level of fiscal decentralization with a high level of political decentralization. However, little is known of the varied combinations of political and fiscal decentralization, and their consequences on the quality of public service.

The Republic of Korea is well known worldwide for high student performance on international standardized tests. The Programme for International Student Assessment (PISA) of 2012 demonstrated that Korean students consistently attained a high level of
achievement (OECD, 2014). The governance of Korea combines political decentralization with fiscal federalism. Korea has been among the countries that have moved towards decentralization in the past three decades. Especially in the 1980s, political democratization began and permeated all through Korean society. As a consequence, the President of Korea was elected by direct vote in 1987, which indicated the official transition to democracy. Since the legislation of Local Autonomy Act in 1991, citizens have been able to choose their own commissioners for local governments that provide general public services excluding schooling. However, governance of education took longer and involved multiple steps. Until 2010, residents had not been eligible to elect by vote their superintendents with authority over primary and secondary education. A more detailed description is provided in Section III. On the contrary to political decentralization, the Republic of Korea maintains a low level of financially decentralized governance under which local government agencies rely heavily on fiscal transfer and subsidies, not on their own revenues. On a limited basis, local governments are allowed to secure revenue for investments in education.

The purpose of this study is to evaluate the political and fiscal decentralization of Korea in an education setting. Education decentralization is defined as shifting authorities to lower levels of governments. We attempted to determine the level of education decentralization from two different perspectives: political and fiscal viewpoints. It further examines their consequences on school resources and student outcomes over the past two decades. To do so, we compiled a longitudinal dataset from 1989 to 2014 at a local education government level (LEA) derived from a series of Korean education statistics year books. The longitudinal data allowed us to adjust for unobserved LEA-specific and year-specific effects, thereby helping us to analyze the relationship between decentralization, school resources, and student outcomes. We first determined the level of school resources by counting student-teacher ratio, per-pupil education spending, high school graduation rate, and college enrollment rate. Moreover, we used student-level achievement data from the Korean Scholastic Aptitude Test (KSAT) to examine the relationship between decentralization and student learning with a higher level of internal validity.

The significance of this study is two folds. It is the first study to evaluate education decentralization, school resources, and student outcomes in Korea from political and fiscal viewpoints. It provides a better understanding of education decentralization and its consequences by thoroughly taking account of political and fiscal decentralization altogether. Moreover, this study provides many useful policy implications for developing countries (e.g., Indonesia, Colombia, and Mexico) that are now experiencing a similar pattern of education decentralization—politically decentralized but fiscally federalized governance (Kis-Katos and Sjahri, 2014; Fiske, 1996; Prawda, 1993). The Korean case would be a good food for thought on their decentralization process.

The article is organized as follows. In Section II, theoretical background is provided to better understand education decentralization, school resources, and student outcomes through reviewing prior literature. Section III describes the political and fiscal decentralization of education in Korea. Section IV introduces the data and methods used for our empirical analysis. Section V provides the results. Section VI discusses the findings and draws conclusions.

2. Theoretical background

2.1. Conceptualizing education decentralization

Debates concerning decentralization have long been a feature of public administrations (Pollitt, 2005). For example, in the United Kingdom, the Magna Carta of 1215, which called for more power to the citizen, can be interpreted as the first demand for decentralization. After this historic event, arguments concerning decentralization were central in debates among political philosophers including Adam Smith, John Stuart Mill, and Jeremy Bentham. Basically, decentralization is closely associated with power distribution between different tiers of government. It is defined as devolution of power and resource from a central authority to another local authority (Martinez-Vazquez et al., 2015). Decentralization takes different forms—devolution, deconcentration, and delegation (Fiske, 1996). Foremost, devolution means that authority over financial, administrative, or pedagogical matters transfers in a permanent way. Deconcentration involves shifting of management responsibilities from central to regional or other lower levels. Finally, delegation refers to lending authorities to lower levels of government with the understanding that the delegated authority can be withdrawn.

A large body of literature clarifies the definition and conceptual features of educational decentralization. Kemmerer (1994) defined decentralization as transferring decision-making authority, responsibility, and tasks from a central government to sub-national agencies. O’Neill (2003) considered decentralization as devolution of autonomous and sovereign political and fiscal power to sub-national officials. It is important to note that on-going debates over decentralization focus mainly on divisions of political and fiscal authorities. Accordingly, in this study, education decentralization refers to the devolution of political and fiscal authority from central government to sub-central governments. Political decentralization that stems from political science theories covers mobilization, participation, and aggregation of interests (Rondinelli, 1989; Schneider, 2003). Citizens are able to control their significant education issues by electing representatives pursuing their own interests. Moreover, fiscal decentralization derived from economics is relevant to the determination of how much resource is expected to be allocated at each level of governments in order to maximize social welfare (Schneider, 2003). Both political and fiscal perspectives of decentralization in the prior literature are reviewed below.

2.2. Political decentralization

Political decentralization is defined as assigning decision-making power to citizens or their representatives at the lower level of government (Schneider, 2003). Authority is shifted to include people outside the system (Fiske, 1996). An election is a fundamental instrument to demonstrate whether local candidates have the authority to choose their leader of the local government. Schneider (2003) suggested an election as the best indicator of political decentralization. Political decentralization is a popular measure of decentralization indicator with fiscal decentralization. The World Bank (2013) is utilizing political decentralization indicators and fiscal viewpoints to illustrate trends in decentralization.

Political decentralization accompanies the conceptions of democratization and civic participation, thereby improving their levels. Fiske (1996) notes the terminology political decentralization along with democratic decentralization that political decentralization involves a multitude of stakeholders. Also many countries have decentralized the education system during democratization (e.g., Colombia, Chile, Spain).

Advocates argue that a decentralized system better adjusts the provision of goods and services to particular preferences and circumstances of their constituencies (Falch and Fischer, 2012; Oates, 1999). Local governments have a better knowledge of local preferences and needs than central government (Salinas, 2014). This outstanding responsiveness to constituencies leads to
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