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**Research Report**

## Equity and Efficiency of Koreans' English Education Investments

KDI Policy Forum, No. 245

**Provided in Cooperation with:**

Korea Development Institute (KDI), Sejong

*Suggested Citation:* Kim, Hisam (2012) : Equity and Efficiency of Koreans' English Education Investments, KDI Policy Forum, No. 245, Korea Development Institute (KDI), Seoul, <https://doi.org/10.22740/kdi.forum.e.2012.245>

This Version is available at:

<https://hdl.handle.net/10419/200896>

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KDI Policy Forum Vol. 245 (eng.), August 22, 2012

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**Subscriptions** Publication Officer (82-2-958-4344)

## Equity and Efficiency of Koreans' English Education Investments

Kim, Hisam Fellow at KDI

- **Need to assess equity and efficiency of investment of time, effort, and money into Koreans' development of English ability from standpoint of economic resource allocation**
  - One-third of all primary and secondary school students' private tutoring expenditures go toward English study; college students and adults also invest substantial time and effort in English learning
  
- **Equity Issue: So-called "English gap" between income classes and across regions**
  - There exist large disparities in private education investment between income groups and differing degrees of English exposure across regions despite similar income levels
  - Large class- and region-based differences in English scores on National Assessment of Educational Achievement (NAEA), College Scholastic Ability Test (CSAT), and Test of English for International Communication (TOEIC)
  - English ability more strongly influenced by environment than other subjects and used as screening device for entrance to colleges and companies, indicating significance in terms of equality of opportunity

\* This is the translated version of *KDI Policy Forum* released on June 4, 2012.

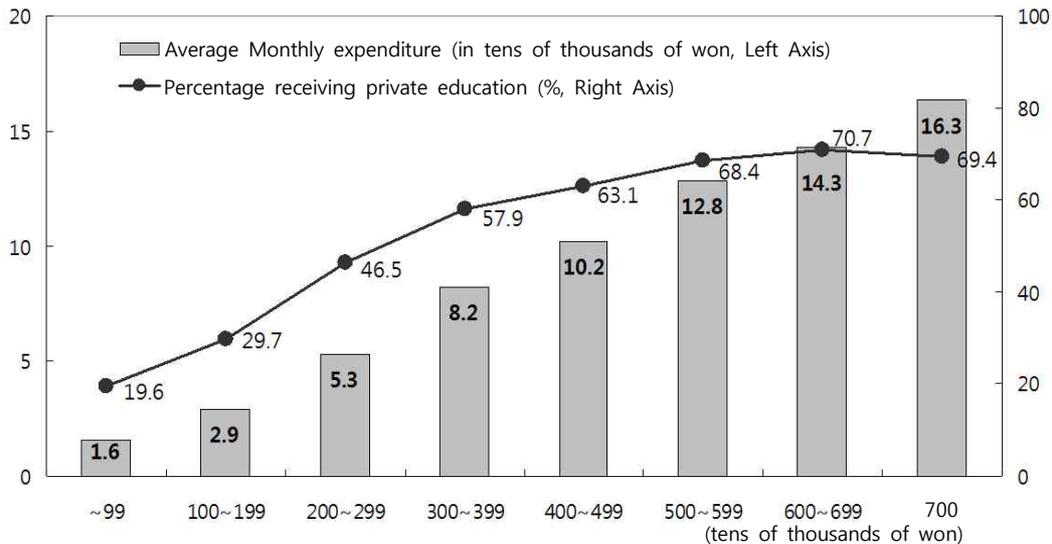
\*\* This article is adapted from Kim, Hisam, *A Study on the Equity and Efficiency of English Education Investments* (Research Monograph 2011-04, KDI, Dec. 2011).

- **Three questions associated with efficiency of resource allocation for English education:**
  - (1) To what extent are people rewarded in the labor market for their English education investments?
  - (2) Is it desirable to have English-related experience used as a device for screening and signaling?
  - (3) Are employees' English abilities matched with the needs of their position?
  
- English experience beneficial in job applicant screening and interviews, but TOEIC score found to be more important in determining full-time employment status, workplace scale, and salary
- Wage premium for English proficiency may be associated more with worker's other capabilities than English-related productivity improvements
  - No connection observed between premium and job demands for English proficiency
  - College students found to sacrifice studies and activities in other areas due to their perception that companies value English-related experience
- Mismatch between workplace English demands and employee proficiency by job type
  - Lower frequency of use in business/clerical positions relative to high levels of investment and proficiency owing to demands for related experience in application process
  - Far lower investment and proficiency than needed for positions in sciences and medicine/pharmaceuticals
  - Need for rethink practice of using English as a screening device for gauging the abilities of liberal arts (as opposed to science) students
  
- **Rational, ongoing efforts required from primary/secondary schools, universities, companies, and government to enhance equity and efficiency of investments in English education**
- Schools: Promote practicality of English teaching and prevent English gap from growing
- Universities: Prevent English study from interfering with development of other student capabilities
- Companies: Demand appropriate level of English proficiency for position
- Government: Promote equity and efficiency of investment through improvements to public education and hiring practices

## 1. The English Gap and the Equity Issue

- **Great differences are observed between income groups in their private English education expenditures, with differing levels of English exposure in different regions.**
- Seventy percent of students from families earning 5 million won or more a month received private English education in 2010, fully 3.5 times the 20% from those earning less than

[Figure 1] Participation Rates and Expenditures of Private English Education by Household Income Level



Source: 2010 Private Education Expenditures Survey, Statistics Korea, 2011

1 million won (Figure 1).

- Average monthly private English education expenditures (including students who did not receive private education) were ten times higher for students from families earning 7 million won or more a month than for those from families earning less than 1 million won a month (163,000 won vs. 16,000 won).
- Systematic differences in private English education experience emerge between Seoul students within and outside the Gangnam area beginning in the early grades of elementary school (Table 1).

□ **Class- and region-based differences are observed in NAEA, CSAT, and TOEIC scores.**

- More salient income-based differences were observed for English scores on the CSAT than for math or Korean scores (Figure 2).
- Striking differences in NAEA English scores were seen between urban and rural areas (Figure 3).
  - Larger differences in English grades than in math or Korean grades were found between urban and rural areas (around 40% of the standard deviation for the country as a whole).
  - The presence of regional differences that are not reducible to variation in afterschool study hours or household background may be attributed to differences in the English study environment, including the presence or absence of private English academies.

**<Table 1> Private English Education Experience for Elementary School Students Within and Outside Gangnam Area Where Private Education Prevails**

(Units: %)

A. Start Date of Private English Education

	Before Elementary School	Grade 1	Grade 2	Grade 3 or Later	None
Gangnam	50.0	17.7	21.0	11.3	0.0
Outside Gangnam	13.6	14.8	18.2	39.8	13.6

B. Average Hours of Daily English Study

	0-1	1-2	2-3	3-4	4+
Gangnam	8.1	21.0	29.0	22.6	19.4
Outside Gangnam	37.5	42.0	16.5	1.7	2.3

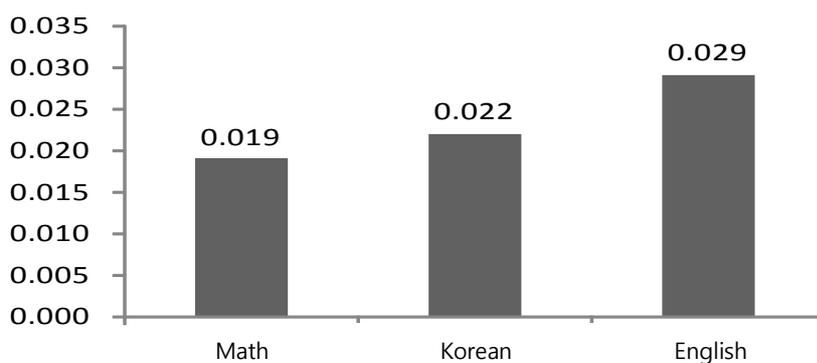
C. Experience at English Kindergartens/English Camp or Overseas Study/English Academy

	English Kindergarten	English Camps/Overseas Study	English Academy
Gangnam	24.6	40.3	77.4
Outside Gangnam	1.1	22.7	39.8

*Note:* Data based on survey of 238 students at five elementary schools (in western and northern Seoul metropolitan area, Gangseo, Bundang, and Gangnam) between Mar. 3 and 14, 2009 (62 respondents from Gangnam, 176 from outside Gangnam).

*Source:* Hong In-gi, "Results of Private English Education Survey: A Comparison of Seoul's Gangnam Region to Other Areas," Talking About Private English Education, Private English Education Forum Vol. 1, World Without Worries About Private Education, 2009.

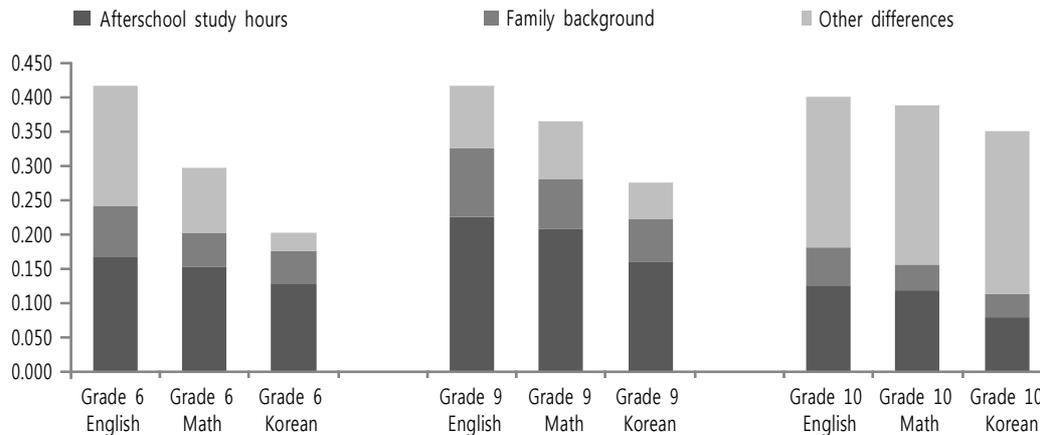
**[Figure 2] Difference in CSAT Subject Scores by Household Income Level**



*Note:* Bar height shows the percentile score increment by an additional household income of 10,000won.

*Source:* Calculated by author (2011) using data from Korean Education & Employment Panel.

[Figure 3] Urban/Rural Differences in NAEA Subject Scores and Contributing Factors



Note: Bar height shows difference in scores between urban and rural students divided by national standard deviation.

Source: Calculated by author (2011) based on sample data from 2008 NAEA.

- Systematic differences have been observed in TOEIC scores for students with a university-level education according to parents' educational attainment and income level, language study experience, and university location (Kim, Hisam, 2011).

## 2. English Investment Returns and Efficiency

- While English study experience factors favorably into a job applicant's document review and interview, TOEIC scores were found to be more important in determining full-time employment status and workplace scale and salary (Table 2).
  - GPA (as an indication of the student's major background) was found to be more important than English experience in determining workplace satisfaction and correspondence between tasks and academic majors.
- However, the possibility exists that the wage premium for English proficiency is less a form of compensation for increased productivity due to English ability per se, and more a "bonus" for other unobserved qualities of the individual who has English proficiency.
  - No relationship was found between the wage premium and workplace demands for English proficiency (Kim, Hisam, 2011).
    - People who reported being proficient in English were found to receive higher wages regardless of whether their tasks required English ability or whether English was considered an important criterion for employment or advancement.

**<Table 2> Impact of GPA, TOEIC Scores, and Language Study on University Graduates' Labor Market Performance**

	(1) No. of Interviews	(2) No. of Final Interviews Passed	(3) Percentage Employed in Full-Time Positions	(4) Size of Workplace for Employees	(5) Salary (in tens of thousands of won)	(6) Workplace Satisfaction	(7) Task/Major Correspondence
Graduating GPA	-0.0296 (-0.15)	-0.1222 (-1.78)*	0.0112 (0.48)	0.1993 (3.43)***	102.0 (2.15)**	0.2280 (3.91)***	0.3696 (6.51)***
TOEIC Score	0.0014 (2.44)**	-0.0000 (-0.06)	0.0004 (5.51)***	0.0014 (8.06)***	1.6 (11.70)***	0.0004 (2.64)***	-0.0000 (-0.14)
Language Study	0.4735 (2.87)***	0.1202 (2.12)**	0.0196 (1.03)	0.0714 (1.50)	67.7 (1.77)*	0.0112 (0.24)	-0.0941 (-2.07)**

*Note:* Controlled for gender, age, university location and type, and major; Columns (1) and (2) show regression analysis results controlled for number of applications submitted and number of interviews, respectively. T-values are in parentheses. \*p<0.1, \*\*p<0.05, \*\*\*p<0.01.

*Source:* Calculated by author (2011) using data from Graduates Occupational Mobility Survey (2007GOMS1).

□ College students in the period before graduation were found to make sacrifices in other areas for the sake of English-related experience based on the perception that companies valued such experience.

- The "Big Three" employment criteria for the average company were found to be "character/aptitude," "academic major," and "English proficiency," in that order. University students, however, ranked them as "English proficiency," "alma mater," and "work-related experience" (Table 3).
- Also, while university students perceive an applicant's alma mater to be a decisive factor in employment, the difficulty of transferring between institutions results in priority being placed on more realistically manageable areas -- English proficiency (e.g., TOEIC score), grades, certificates, and work-related experience (training/internships/competitions) -- as they prepare for employment (see Figure 4).
- A study found 68.8% of all university students (and 72.4% of engineering students) to be having difficulties in other studies and activities due to the demands of their English study (Kim, Hisam, 2011).
  - The tendency for students to take extreme steps such as taking time off from their studies to acquire English experience suggests a need to encourage them to develop capabilities that are more essential for their practical tasks.

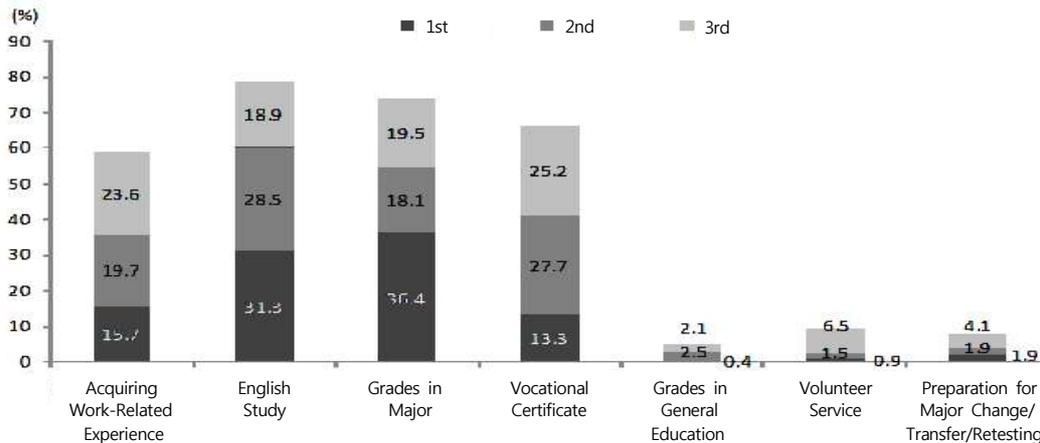
□ Employment officer responses indicated that public enterprises demand higher TOEIC scores from prospective employees than do large corporations or foreign companies (Figure 5).

**<Table 3> Company and University Student Perceptions on Priority Criteria for Employment**

	Character/ Aptitude	Academic Major	English Proficiency	Alma Mater	Work-Related Experience	GPA
<b>Company Perceptions</b>						
Large Corporation	1st (4.1)	3rd (tie) (3.5)	5th (3.4)	2nd (3.7)		3rd (tie) (3.5)
SME	1st (4.3)	2nd (3.4)	4th (3.1)	5th (3.0)	3rd (3.3)	
Foreign Company	1st (4.4)	4th (3.8)	3rd (3.9)		2nd (4.1)	5th (3.0)
All Companies	1st (4.2)	2nd (3.5)	3rd (3.3)	4th (tie) (3.2)	4th (tie) (3.2)	
<b>Student Perceptions</b>						
Percentage Ranking First	12.2%	7.7%	14.9%	35.3%	23.5%	3.3%
Cumulative Percentage Ranking 1 to 3	42.4%	28.7%	68.7%	53.0%	52.8%	24.1%

*Note:* Number in parenthesis shows average rating for importance on scale of 1 to 5.

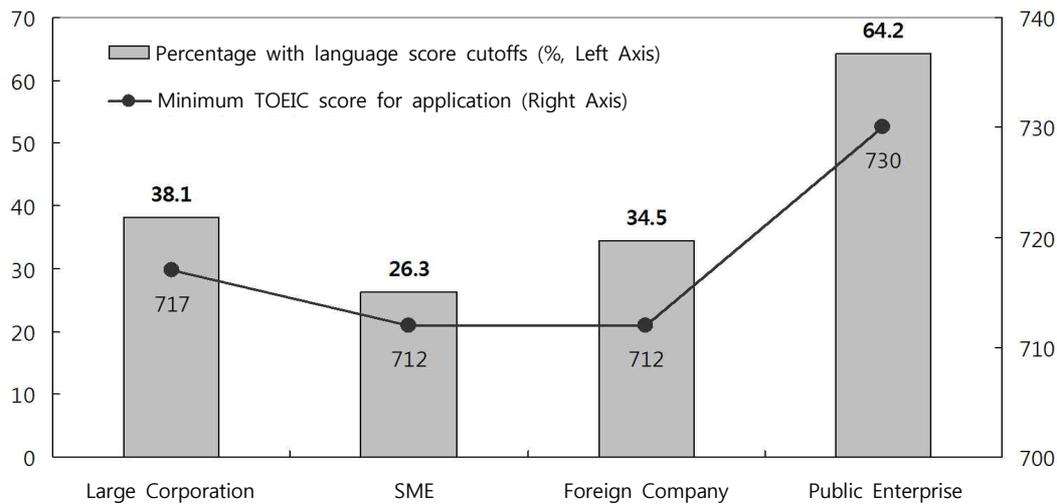
*Source:* Corporate Perceptions -- "Questionnaire of Employment Officers," Job Korea, Apr. 2008. Student Perceptions -- Survey of 1,500 juniors and seniors at Korean universities in study by author (Nov. 2011).

**[Figure 4] Perceived Job-Seeking Preparation Priorities for University Students**

*Source:* Survey of 1,500 juniors and seniors at Korean universities in study by author (Nov. 2011).

○ English proficiency demands should be based on practical requirements rather than serving as an across-the-board screening device at public enterprises, where competition rates among prospective employees are relatively intense.

□ Comparison of workplace English demands and employee proficiency showed a mismatch according to job type (Kim, Hisam, 2011).

**[Figure 5] English Score Demands for Employment by Company Type**

Source: Job Korea (Jan. 24, 2011), based on survey of 320 large corporations, 501 SMEs, 58 foreign companies, and 53 public enterprises in Korea.

- English study investment and proficiency levels tend to be high for management and clerical positions because of English experience demands at the time of employment, but usage of English in those positions is relatively low.
- However, people working in sciences and medicine/pharmaceuticals were found to have far lower levels of English study investment and proficiency than their tasks required.
- The results suggest a need to rethink the practice of using English as a screening device for gauging the abilities of liberal arts (as opposed to science) students.

### 3. Policy Implications

- Rational, ongoing efforts are required from primary/secondary schools, universities, companies, and the government to promote equity and efficiency in English education investment.
- Secondary schools need to increase the practicality of their English classes and prevent the English gap from growing.
  - Increased, selective support should be applied to bridge the gap through English exposure programs for students from low-income backgrounds and less developed regions (e.g., afterschool English classes, vacation English camps, video lectures by native speakers).
  - Productive skills (speaking and writing) should be emphasized more in public schools to

help students develop their expressive capabilities, and improvements should be made in teacher capabilities and classroom conditions.

**□ Universities need to improve the quality of their English-language lectures and English courses so that students are not hindered in their development of other important capabilities by their English studies.**

- Support should be offered to help teachers and students in English-language lectures develop their abilities, including flexible implementation by area and course to avoid side effects such as impaired information transfer.
- General education English courses should be organized into multi-year programs that allow students to develop their practical proficiency over the course of their studies, thus reducing the burden on their English abilities and absorbing demand for private education.

**□ Companies need to base their English proficiency demands on an analysis of their placement needs.**

- University education and student employment preparations should be encouraged to focus on practical, productivity-enhancing abilities through specific signals about the types of workers desired by companies.

**□ The government needs to promote the equity and efficiency of English education investment through improvements to public school education and public sector hiring practices.**

- Future policy should proceed with a continued emphasis on developing English communication abilities and bridging the English gap through improvements to public school education.
- Levels 2 and 3 of the soon-to-be-implemented National English Ability Test (NEAT) should be established as a means of guiding improvements in English communication ability through public school education rather than providing a benchmark for university admission.
  - With a decision pending on whether to have the 2012 NEAT substitute for the English portion of the CSAT, steps should be taken to promote university awareness of the purpose of the four evaluation levels (A through D) to prevent additional testing by individual institutions.
  - Care should be taken to ensure that NEAT does not function to further entrench the English gap by allowing for high-quality, low-cost test preparation online and on television (e.g., the EBS network) rather than through private education.
- Public enterprises and other public institutions should stop demanding high English test scores uniformly in their hiring and set a standard for greater sophistication and efficiency

in their selection practices.

- Efforts are needed to promote public sector productivity and English study investment efficiency through analysis of job needs and the implementation of relevant capability-centered testing at the time of hiring.

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