

Economic crisis, the new window for the community? Perspectives on housing policy in South Korea

Shinwon Kyung

Centre for Urban and Regional Studies, Birmingham Business School

College of Social Sciences, University of Birmingham

UK

Abstract

Housing policy in South Korea has developed in significantly different ways to those which characterise Western countries. However, South Korea has undergone profound changes since the Asian economic crisis in 1997-8. Facing a crisis in all areas, social policy reform, including housing policy, was demanded both from within and outside the country. This transformation in South Korea resulted in not only successful advances towards a welfare state but also great advocacy of involving people in policy-making, which made a new force for 'convergence' with the West. The South Korean government has demonstrated increasing interest in strategies to promote community involvement as a remedy for some of the previous failures of the system. This paper explores how the government in South Korea has evolved the concept of community involvement in their housing policies and in what circumstances they have put it at the centre of their plans to deliver public services more effectively.

Keywords: Economic crisis; Community involvement; Housing policy; South Korea

Introduction

In South Korea (hereafter Korea) the government plays the major part in deciding the level of housing development and allocation. There has been a high degree of state intervention in housing provision through the ownership or significant regulation of land supply; through policies designed to encourage larger and more efficient construction companies; and through considerable control over the lending process. The relationship between government strategies for economic growth and the property market in the East is hard to understand from the West's point of view (Lee, Forrest and Tam, 2003, p.20). In the West, home-ownership is correlated with the market process although there are minimal government interventions, such as tax breaks or targeted low cost entry schemes. The growth of home-ownership has mainly been through the activities of private developers and households rather than the product of direct state intervention.

The high degree of government intervention in the housing sector, however, was not intended primarily to benefit those who were excluded from the changing economic and social structure (Ha, 2004, p.330-335; Kim, 1997b, p.132; Park, 2007). As Shin and Shaw (2003, p. 334-5)

pointed out, it was mainly based on regulations with little state provision and finance. The Korean government, like many other East Asian countries, did not show a strong attempt to achieve equality in housing consumption, or even a matching of household needs for dwellings (Doling, 1999) before the Asian economic crisis in 1997-8. Housing was largely determined by individual capacity, which in turn was highly correlated with labour market position. The Korean government promoted rapid economic development based on the assumption that a proportion of increased income would be channelled into public services and social expenditure, including housing. Therefore, the development of social policy was restricted in order to pour national resources into the primary goal of national policy, 'economic development'. Housing policy in Korea focused on the strength of the economy and on provision for the middle-income groups.

Although most Koreans are vastly better off as the result of the economic growth of the last three decades, or what is known as 'the economic miracle', the impact of the rapid economic and social transformation has not been even. This unevenness has become deeply entrenched since the Asian economic crisis (Forrest, 2003; Ha, 2002; Lee, 1999). The economic miracle has failed to benefit those in greatest need. The people at the bottom have experienced the more brutal aspects of the market and the neglect of government. A maximised market system with minimised state intervention can reinforce the exclusion and isolation of low-income households. This often leads to a poor housing community, which suffers from a declining economic and industrial base, physical decay and adverse social conditions.

In the late 1990s, new government was elected in Korea. Kim Dae Jung achieved the first power transfer from the ruling to an opposition party in over 30 years. The new government, *The People's Government*, acknowledged that the past policies did not pay enough attention to the needs of the poor. Although there had been various schemes to tackle the problems of poor neighbourhoods, the new government realised that past initiatives had failed to deal with the structural causes of decline (MOCT & KNHC, 2003; Ha, 2002). It was believed that people themselves had the power to make things better and thus people needed to be involved (Kim, 1997a; KIPA, 2005; KRIHS, 2000; MOCT & KNHC, 2003; Park, 2002; PCPW, 2007). As a remedy for some of the previous failures of the system, the new government demonstrated increasing interest in strategies to promote community involvement. This was pushed forward by its successor government, *The Participatory Government*.

This raises the questions of why community involvement has been so high on the agenda of policy making in the wake of the economic crisis; and how the concept of community involvement has been understood in Korea. When compared with the West, there may be very different views of and attitudes towards the idea of community involvement. How does the act of taking part in political, economic and social activities, a basic aspect of liberal democracy, work in the *Confucian* heritage of modern East Asia? In the West, community involvement has been considered as an effective way to enable people to share in the decision-making processes that affect their lives (Atkinson, 1999; Brent, 2004; Burton, 2003; Diamond, 2004; Hastings and McArthur, 1995; Jones, 2003; Nelson, 2001; ODPM, 2003; SEU, 1998, 2000, 2001; Taylor, 2003). Is this the case in Korea, where the Confucian idea of 'government above the people' was deeply rooted and does still exist? In order to answer these questions, this paper explores the way that the concept of community involvement has evolved in Korean housing policy. It looks in detail at the nature of state intervention and its impact on people's lives in Korea.

The emergence of 'Community involvement'

The idea of community involvement has gained a great deal of ground in recent years and it has acquired something of an official status in international discourse. Certainly the notion of community involvement is much more widely accepted today than it has ever been in the past. Having experienced the breakdown of the excessive collectivism of the state and the extreme individualism of the market, many recent governments have embraced the idea of community involvement as the 'answer' to the 'problem' of the previous failures of the system.

However, it is a characteristic of community involvement that it has diverse aspects relating to a variety of activities and institutions. It cannot yield a view of development that translates readily into some simple 'formula' of accumulation of capital. As Fisher and Urich (1999, p.256) point out, there is a tendency that this general appeal of the 'warmness' of 'community involvement' masks the reality and makes the variety of meanings and implications embedded within different organisations, institutions and ideological standpoints difficult to distinguish clearly. 'Community involvement' can be attached to different sets of relations (Nelson and Wright, 1995; White, 1994; World Bank, 1996); it can be a goal, a matter of practice and a matter of principle. These varying natures of participation pose a challenge for those who would promote a community involvement approach. It is an oversimplification to say that 'involving' the people is fundamental to the development process; and that it leads to the

eradication of injustice and to sustainable development. A general feature of community involvement, therefore, is that much depends on how the idea is actually exercised in practice. 'Community involvement' today means an interactive process between local people and representatives of a government agency either through public meetings and surveys, or through the offices of local voluntary sector umbrella groups (Lahiri-Dutt, 2004; ODPM, 2003). But the term does not mean only 'consultation with local residents', as the primary goals are to share obligation with people and to give responsibility to people for their lives, which is based on the normative meaning of community. Information should be available for all stakeholders in the whole process, especially in the early stages, to enable them to engage in a discussion with the project planner, based on a two-way flow of information. As a consequence, the abilities of local people in making decisions and planning in general are improved. Greater emphasis is placed on self-reliance in decision-making in contrast to people being told about procedures for achieving pre-determined goals (Jacobson, 1994; Nelson and Wright, 1995, p.6). There is an expectation that 'working with the public' can identify alternative values and solutions, increase empowerment and fairness in decision-making, reduce conflict and lead ultimately to better decisions and to more sustainable development (Jackson, 2001, p.136).

In the West, the concept of community involvement has regained value with the acknowledgement of the limits of the role of the state. The 1990s witnessed an increasing number of poor as a consequence of economic decline together with the states withdrawing from welfare. Faced with these difficulties, the states have needed the support of the community to share their responsibility of providing basic services to the poor; there has been a strong desire to balance the demands of the state and the duties of citizenship. The pressure for greater resident participation in urban regeneration has been growing throughout the 1990s.

The idea of community involvement in Korea has been brought about by a desire for greater political and civil rights in public policy. That is to say, the concept is grounded in a strong aspiration to have a more balanced relationship among and between individuals, the community and the state. Many people in Korea realised that the Confucian ideal of the strong state working for the people would not increase their welfare or protect the human rights of the citizens (Case, 1998; Diamond and Shin, 2000; Marsh, Blondel and Inoguchi, 1999; Kim, 1997c; Kwon, 1998; Shin and Shaw, 2003; White and Goodman, 1998). This realisation has led them to move away from authoritarianism and to move towards democracy **for the purpose of attaining the Confucian ideal of promoting the well-being of all people**. In this sense, it may be possible to think of an East Asian variety of democracy as that which combines the

Western values of respect for the individual and for participation, with the Eastern values of consensus and authority (Kim, 1997c). Popular conceptions of welfare in Korea have changed and new conceptions closer to Western notions of welfare have been growing with the surge of democratisation since the late 1980s (Gough, 2001; Kwon, 1998; White and Goodman, 1998).

However, there were shortcomings in contemporary Confucianism in Korea: modern democratic practices, such as freedom of expression at the grass-roots, were not adopted completely (Liu, 1996). Undeniably, a civil society emerged and a new state-society relation came into existence in Korea owing to an inevitable consequence of capitalist industrialisation (King, 1996; Tu, 1996; UNDP, 1993). Yet, modern Confucian societies were limited in conceptualising the proper relationship between the government and the governed (Kim, 1997c; Liu, 1996; Tu, 1996). Korea was liberalised to a significant degree and held regular elections, but democracy did not fully evolve (Hood, 1998; Kim, 1997c).

Although the late 1980s saw a move away from authoritarian rule towards greater political freedom, central government still held strong power until the late 1990s (Kim, 1997b; Park, 2002; So, 2005). Under the centralised system, local governments could not develop their own policies and were able to do no more than carry out directions from central government (Park, 2002; So, 2005). Citizens were considered as being regulated, controlled, and governed by government; they were not seen as consumers or customers of public services (So, 2005, p.13). The development of social policy continued to be facilitated by Confucian values (Gough, 2001; Hwang, 2006; Kwon, 1998, 2005; Lee, 1998; Meredith, 2001; Shin and Shaw, 2003; Shin, 2000; White and Goodman, 1998). Publicly provided social services tended to be limited in scale and coverage, reflecting reliance on rapid growth and full employment, strong family and community level support. Shin and Shaw (2003, p.337) argued that the Korean government appeared to be convinced by their own rhetoric that providing social services would undermine the Confucian ethic. Therefore, both central and local governments in Korea focused on limiting and regulating the demands and needs of citizens, rather than positively meeting them. Governments were quite distant from people, especially when implementing policies and projects. Systems and practice ensuring citizen participation and satisfaction were also not well developed (Kim, 1997a; Park, 2002). Hood (1998, p.863) observed that although Japan, Korea, Taiwan and others took significant measures to liberalise their political systems, the leaders still got caught between two worlds – one was authoritarian and the other was democratic. This means that those societies might take considerable time to change their social structure and even then, they would still need to learn a new culture of

liberty and rights.

All of a sudden, the social and political changes have come into a view because of the economic weaknesses and they have been accelerated since the Asian Economic Crisis (Clammer, 2003; Gough, 2001; Shin, 2000; Shin and Shaw, 2003). The Economic Crisis in 1997-8 shook the Korean people's confidence in strong authoritarian government to its very foundations (Lee, 1999; MOGAHA, 2005; So, 2005). As So notes: "The pride and confidence of the people that had grown after nearly three decades of rapid and almost uninterrupted economic growth was shattered. The whole population began to ask, why?" (2005, p. 9). Fundamental and structural problems that had been neglected in the process of national development for the past decades were revealed. The economic crisis exposed important limitations in the ability of government to manage a shock of this magnitude and revealed the need for policies and institutions to help those people in serious difficulties. Problems of the administrative system were also exposed, such as the inefficiency prevailing in the bureaucracy, the extreme lack of transparency and the closed decision-making process. Facing a crisis in all areas, the public demanded social reform and they chose the opposition candidate, Kim Dae Jung, in the presidential election. It was the first power transfer in the history of modern Korea.

Since the economic crisis, there have been growing popular demands for greater transparency and accountability of government; people have wanted to know about and to influence the policies their representatives pursue. People have also pursued sound government intervention in order to improve their welfare and protect their human rights, rather than carrying on with a tradition of unconditional social obligation. It was recognised that fundamental reform was needed to solve economic and social issues and to break the circle of the inefficiency of government (Lee, 1999; MOGAHA, 2005; So, 2005). Manuelyan Atinc wrote "Korea went the furthest in expanding safety nets. This may reflect both greater demands for public action, possibly encouraged by democratic institutions, greater capacity on the part of the government to respond and a more extensive net of pro-poor programmes before the crisis" (2000, p.134). Apart from these internal issues, the Korean government had to restructure social policies as a consequence of external factors, including requirements from the World Bank or International Monetary Fund (IMF) affecting budget expenditure and loans (Gough, 2001; KIPA, 2005; Lee, 1998; Meredith, 2001; Shin and Shaw, 2003; Shin, 2000). These globalising forces increased the institutional space for advocacy coalitions, which made successful advances towards greater social rights (Clammer, 2003, p.404-6; Kwon, 2005, p.

489-93; Manuelyan Atinc, 2000, p. 143-4).

The political tide shifted; a new political movement towards a decentralised government structure rapidly emerged and has been implemented; central government's heavy-handed intervention has been undergoing a significant change and there has been a focus on good governance at many levels (KIPA, 2005, 2006; PCPW, 2007). Local governments have been granted greater authority and responsibility than before. As citizens' awareness of rights has substantially increased, local officials and politicians have had to become much more open to public scrutiny and more accountable to the communities and individuals they are supposed to serve. The satisfaction of citizens is now said to be the supreme purpose of local administration. It appears that civil servants cannot ignore the needs of citizens any more and they have to ask and take account of citizens' opinions in the decision-making process. The civil servants are being encouraged to involve people in the decision-making process; to share their power with people; and to respond to what people ask.

The next section looks at the evolution of housing policy in Korea since the 1960s. In the first part, the characteristics of the Korean housing system is reviewed before the Economic Crisis of 1997-8 and the second part explores the impact of the Economic Crisis on community and the government response to the crisis.

Community involvement in housing policy

Housing policy prior to the Economic Crisis of 1997-8: Economic priority over the needs of community

As in the case of other East Asian countries, the housing system in Korea concentrated on the expansion of home-ownership as part of the process of economic growth. From the early 1960s to the early 1990s, the three successive strong authoritarian regimes in Korea promoted economic growth with minimal welfare policies; welfare was to be understood not as providing state benefits, but as maximising economic growth. The authoritarian governments believed that economic growth itself would benefit everyone equally. All households were expected to pay for their own housing with the emphasis on the role of the family. According to Holliday, Korea, along with Japan and Taiwan, has a *productive welfare regime*, which "social policy is strictly subordinate to the overriding policy objective of economic growth. Everything else flows from this: minimal social rights with extensions linked to productive activity,

reinforcement of the position of productive elements in society and state-market-family relationships directed towards growth” (2000, p.708).

The assumption of the Korean government was that increased household income through economic growth would be transferred into effective demand for new, decent housing, which the private sector, not local authorities, would supply because of the lack of government funding available for housing. This shortage of money constrained the government to use more negative means, such as regulations and controls, to cope with housing problems, as well as to create opportunities for the private market (Chang, 1989). Kim (1997b, p.142) observed the main differences between the Korean housing system and typical Western systems in terms of the role of the state were that there were few monetary subsidies for housing suppliers and consumers, no tax relief and no rent allowances. Nevertheless, the Korean government has strongly influenced housing markets by setting preferential interest rates, preferential loans allocation and mortgages; relaxing building codes; controlling prices; improving the delivery system; and changing the status of builders and the qualification of preferential purchase rights.

With the influx of population into urban areas and a rapid increase in the number of households, chronic housing shortage was the main problem until the mid-1990s. The flood of population to the urban areas, especially Seoul, increased an already acute housing shortage. This brought about a large number of substandard urban settlements, which could be characterised as ‘squatter settlements’. The existing supply of houses and those newly constructed could not keep up with the ever-increasing demand. Housing statistics (KNHC, 2003) show that from 1978 to 1995, the average housing supply ratio¹ was only 73 per cent. This led to a significant affordability problem with the rising price of housing: prices rose almost five times while the nation’s real GNP growth was less than three times between 1975 and 1988, although the government attempted to control housing prices (KNHC, 2003). To own housing was seen as an effective means of acquiring an asset since land and housing prices continuously and rapidly rose. However, the Korean government considered housing problems to be caused mainly by a lag in supply rather than by the gap between housing prices and affordability (Ha, 2004; Kim, 1997b; Park, 2003).

To respond to the growing shortfall in supply, the Korean government launched the Two Million Housing Construction Plan in 1989 and the project successfully met most demands for

¹ Housing supply ratio = (dwellings/households) x 100

owner-occupation (Yoon and Zchang, 2003). In 1997, the housing supply ratio reached 92 per cent (KNHC, 2003). However, this new housing provision made little impact on low-income households. According to KNHC (2003), in 1995, about 13 per cent of all urban households were using only one room for their whole family, consisting of 3.7 persons per household on average. At the same time, 49,370 households were still not living in a proper house; they were staying in deteriorated houses or in temporary accommodation. After the Asian economic crisis, the number of such households almost doubled, to 84,353 in 2000.

The Korean government has also provided public rented housing since the 1970s to meet the needs of low-income households, although there was no permanent public rented housing until the late 1980s. A critical feature of the Korean public rented housing system was that the public rental dwellings were supposed to transfer to ownership within a certain period, mostly 5 years. In 1989, only 19 years ago, permanent public rented housing began to be provided but this did not continue for long as the demand was far lower than the government expected; between 1989 and 1993, 190,070 houses were built (KNHC, 2003). According to Park (2003, p.12), the lower than expected demand for public rented housing was because the housing size was too small for a whole family, being less than 30 square metres; moreover, the housing type, high-rise flats, was not the preference of those on low-incomes; and the public rented housing was often located too far from where they originally lived. At first, in 1971, public rented housing was built by the Korea National Housing Corporation (KNHC) on the condition of a one to two year's mandatory rental period before being sold to the occupants (Park, 2003). Between 1971 and 1980, about 65,000 public rented houses were built. It was only 3.4 per cent of total housing construction. In 1982, a 5-year public rented housing programme started. Since then the mandatory rental period has been gradually extended; the government has launched long-term public rented housing programmes, such as 50-year public rented housing in 1992 and a permanent public rented housing programme in 1989. From 1982 to 2002, 544,778 public rented houses, 6.5 per cent of total housing construction, were built by the public sector: the KNHC and local governments.

Why did the Korean government provide public rented housing on condition of conveyance to ownership? Although the KNHC and local governments had financial support from the central government since 1985 and loans from the National Housing Fund (NHF)², a

² The National Housing Fund (NHF) was established in 1981 through the amendment of the Housing Construction Promotion Act. NHF mainly supplies housing finance for public housing construction and other public objectives such as housing renewal. The fund was raised through the government budget, national housing bonds, the housing lottery, NHF bonds, contractual savings, foreign loans, its

considerable amount of capital still had to be covered by the public sector's own balance sheets and by rental deposits from tenants. This financial regime crucially hampered rental housing construction in the public sector and confined rented housing to those who could afford the deposit and rent to cover the cost. Therefore, public rented housing was not normally accessible to those in the lowest income groups.

To improve the condition of poor quality housing areas, mostly squatter areas, the Korean government promoted a greatly increased role for the private sector. The lack of resources effectively forced the government to have a closer collaboration with the market (Ha, 1987; Kim, 1997b; Kim and Choe, 1997). The Amendment of the Urban Renewal Act in 1982 gave the power of land expropriation to the private sector. This market-oriented approach brought about significant physical improvement in poor neighbourhoods but seemed to give little benefit to the people in those areas, in fact their circumstances deteriorated (Kim and Choe, 1997; Ha, 2001, 2002). Although the importance of community involvement was recognised as a contribution to the improvement and regeneration of deprived urban areas, the terms often meant no more than simple 'consultation with the public'. Ironically, most residents – mainly tenants – who actually lived in the area were not involved in the simple consultation process. They vigorously protested against forcible eviction from project areas. It was not until the late 1980s that the government amended the regulations to protect the tenants in the project areas. Before that, there were no controls on the rents in these redevelopment projects and no account was taken of the social and financial position of tenants. Since then, however, the private companies involved in such projects have been required to provide rented housing for the tenants; yet, rents remain too high for them. Thus, the original purpose of most renewal projects - the improvement of living condition for low-income families in poor housing areas - has shifted because of housing speculation and has attracted more middle- and upper middle-income families into the projects. It was questioned, 'for whom have these renewal projects been carried out?'

By the mid 1990s, continued economic success, where the annual economic growth rates exceeded 8 per cent, had been accompanied in most cities by improved housing quality and increased home ownership for middle-income groups. Despite these improvements, poor tenants and substandard housing remained. In 1995, 22 per cent of households were classed

amortised funds and other related money. One of the principal characteristics of the fund is that it can raise money at low cost and make low cost loans for low-income households (Lee, 2002; Kim, 1997b).

as ‘poor tenants’³ (Ha, 2002, p.197) and 34 per cent of the housing stock did not meet the minimum housing standard set by the government⁴ (MOCT and KNHC, 2003, p.140-142). While many areas had benefited from rising living standards, the poorest neighbourhoods had tended to become more rundown. An architectural and engineering bias in the urban planning process emphasized infrastructure at the expense of human needs and was not sensitive to the nature and extent of urban poverty. There was too little to show that conventional policies had resulted in an improvement in the quality of life for the poor. People, especially the poor, also did not always place demands on government for social programmes, possibly because of an ethos of self-reliance, or because of the absence of channels for their voice (Chang, 1997; Kim, 1990; Manuelyan Atinc, 2000). As Chang (1997, p.27) observed, it was usually those who were less well educated, unstably employed and country-dwelling that had a rather conservative ideology concerning social welfare. They usually did not expect that the state would provide any service for their difficulties with poverty, health, housing and education. Therefore, the cultural traditions in Korea, which emphasised strong family values, helped preserve the government *laissez-faire approach* to the problems posed by people who were in need of public welfare protection.

³ Poor tenants are classified as tenants who live in one of four types of rental housing: ‘Bojeongbuwolse’, ‘Wolse, Sakwolse’ or ‘Ilse’ in Korea (Ha, 2002).

• ‘Bojeongbu-wol-se’ means a kind of security deposit with monthly rent. At the beginning of the contract period, the tenant makes a refundable deposit, and then pays a monthly rent. In low-income residential areas, the original buildings did not provide for the high density of inhabitants and did not provide adequate water supply, ventilation, garbage disposal, etc.

• ‘Wol-se’ is the monthly rent system, which is the ordinary system found in most countries. Properties let in this way have similar problems to those of Bojeongbu-wol-se in terms of lack of facilities;

• ‘Sak-wol-se’ is a tenancy which the tenant makes a one-time deposit from which a given amount is deducted. Hence the total amount of rent is the deducted amount plus interest earned on the remaining deposit. It has similar problems to those of Bojeongbuwolse in terms of overcrowding, poor maintenance and lack of facilities; and

• ‘Il-se’ is a daily rent system, which is a rented room, bed or bed hours in boarding or rooming house or an illegal cheap inn. It is a new type of rental housing or accommodation for the lowest income groups and the homeless. This kind of accommodation is usually very poor with several people crowded into each room with very inadequate provision of basic services. Single persons may rent room (beds) for a set number of hours each day so more than one person contributes to the cost of each room (bed).

⁴ The minimum housing standard set by the Ministry of Construction of Transportation is based on three criteria: (1) minimum floor space (adequate space and privacy): for example, a dwelling floor space area for a household with 4 persons must exceed 37 m², (2) facilities (provision of basic services): housing lacking basic services and facilities such as water supply, electricity, sewerage, etc. are below standard, and (3) structure and environment: housing with poorly built structures such as tents and communal huts using inadequate building materials are below standard.

Awareness of these problems came to the fore as a result of the 1997-8 Asian Economic Crisis, which affected the poor more than any other groups (Ha, 2002; Lee, 1999; MOCT and KNHC, 2003; Manuelyan Atinc, 2000; Mauelyan Atinc and Walton, 1998; Shin and Shaw, 2003; Shin, 2000): through unemployment, falling incomes, and threats to education and health. The rates and depth of poverty in Korea's cities increased markedly from 7.5 per cent just before the crisis (first quarter of 1997) to a peak of 22.9 per cent in the third quarter of 1998. The unemployment rate rose to 7.6 per cent in July 1998, from less than 3 per cent before 1997; the share of wages and salaries in national disposable income fell from 55 percent in 1997 to 50.8 percent in 1998; people moved back to large cities for jobs; housing prices fell for the first time; and the housing construction industry suffered a prolonged slump.

The government had to accept the truth that the limited welfare state schemes developed during the last thirty years of rapid economic growth were grossly inadequate (Lee, 1999 p.35; Manuelyan Atinc, 2000; Mauelyan Atinc and Walton, 1998; Shin and Shaw, 2003; Shin, 2000). Manuelyan Atinc and Walton highlighted the fact that "even before the onset of the crisis, three major vulnerabilities already existed but they were masked by widespread growth; protected poverty and rising inequality; concerns about labour rights; and rising demands for formal mechanisms to offset household insecurity. The crisis has aggravated conditions underlying each of these issues... The crisis has now made facing these issues imperative for all the countries in crisis" (1998, p.7). Greater synchronization between the separate economic, social and physical strands of policy was required and a more comprehensive and integrated vision and actions were needed.

The impact of the Economic Crisis of 1997-8 on community and the government response

The main target of the new regime, *The People's Government*, was both to revitalise the national economy and to ensure that mainstream policies really work for poor neighbourhoods. Given the internal and external pressures, the Korean government substantially strengthened its social safety net programmes. In the process of programme implementation the government placed an emphasis on developing networks with the private sector, non-governmental organisations (NGOs) and community-based groups (KIPA, 2005, p.137). These innovations driven by President Kim Dae Jung continued to be pursued by his successor, President Roh Moo Hyun.

There was a commitment to expand, in real terms, budget allocations for poverty-targeted

programmes, such as the 'Basic Livelihood Protection Programme' providing cash and in-kind aid to those unable to work and to do so proportionately with any increase in poverty as a result of the crisis (Lee, 1999; Park, 2007; PCPW, 2007). The government also employed supplementary measures to establish the social safety net, such as job creation by the government, job training for unemployed workers and the establishment of a loan programme⁵ (Shin, 2000). The share of GDP for social protection rose from 0.6 percent in 1997 to 1.26 percent in 1998 and to almost 2 percent in 1999 (Maueyan Atinc and Walton, 1998, p.136-7). By establishing various committees for welfare planning at central government level, social welfare has become one of the mainstream policy issues in Korea.

The government put emphasis on housing policy for low-income households. Construction of public rented housing was regarded as one of the more effective ways to support people on low-incomes. In 1998, the National Public Rental Housing programme was introduced aimed at providing 50,000 units in the period from 1998 to 2003 (MOCT and KNHC, 2003). During that time, an average of 96,000 rented houses was built each year, accounting for 21 per cent of total housing construction. For public sector housing, other support was also provided, such as the provision of residential land at below-market prices, the financing of construction costs at below-market interest rates through the National Housing Fund (NHF) and subsidising house building costs from the national government budget by between 10 and 40 per cent. Furthermore, in 2002, the government announced its plan to provide one million public rental units over the next ten years.

To reduce the burden of housing costs for low-income households, the 'Chonseil⁶ Deposit Loan Programme' and 'Housing Benefit Programme' were launched in 2001 (MOCT and KNHC, 2003; Chung, 2005). Under the Chonseil Deposit Loan Programme, a portion of the Chonseil deposit can be borrowed from the NHF at below-market interest rates. The Housing Benefit Programme was introduced under the 'National Basic Livelihood Security Act' 2000, which was enacted to ensure a basic minimum standard of living for everyone. Housing Benefits are

⁵ The preferential loan programme for unemployed workers enables them to access living allowance loans, housing loans and business loans on the condition of repayment in two to three years with a one-to-two-year grace period (Shin, 2000, p.95).

⁶ The major form of rental tenure in South Korea is called 'Chonseil', a unique system found in South Korea that requires tenants to pay a lump sum deposit at the beginning of occupancy which is fully refunded at the end of the contract. The interest gained on the deposit provides the landlord with a rental income.

either in cash or in-kind and can include services such as housing repair and maintenance (Chung, 2005).

In 2001 the government announced the plan to invest about 18 billion pounds over ten years in an urban renewal programme, the Residential Environment Improvement (REI), to redevelop substandard housing areas (MOCT and KNHC, 2003; PCPW, 2007). In the REI programme, the local authorities take responsibility and they are required to discuss improvement proposals with residents including tenants. Central government put emphasis on community participation to accomplish the REI programme, reflecting a growing consensus that urban policy should involve the residents who are living in the areas affected by the policy. The government designated 915 REI project areas nationally and makes loans to low-income households in the REI project areas at an annual interest rate of less than 3 per cent. Residents are also provided with public rental houses whilst the projects are being carried out. The government consolidated the separate acts relating to urban renewal in the 'Urban and Housing Environment Improvement Act' 2003 to deliver urban renewal projects in a more effective and more productive way.

The Housing Act 2002 was introduced to replace the Housing Construction Promotion Act 1977. The Housing Construction Promotion Act 1977 had played an important role in achieving mass production of housing in the past but was not appropriate to meet diverse housing demands, nor to improve the housing conditions of low-income households (MOCT and KNHC, 2003). The Housing Act 2002 aims to ensure that all people can secure adequate housing by setting basic directives for state and local governments. As a result, a housing support system based on households' ability to pay and a plan to increase the supply of long-term public rented housing was introduced. Chung (2005, p.20) points out that the Housing Act 2002 signalled a shift of government policy from a supply-orientation towards a welfare-oriented strategy.

In 2003, *The Participatory Government* came to power with a strong commitment to tackle the problems of poor neighbourhoods. Many of its predecessor's policies were continued, such as promoting the 'National Public Rental Housing Programme', the 'Basic Livelihood Protection Programme', and the 'REI Programme'. The role of community participation and engagement was much more emphasised by President Roh Moo Hyun as indicated by the name of the government, *The Participatory Government* (KIPA, 2005; PCPW, 2007).

With the recognition of increasing inequality, social cohesion became an important feature of government policy. It was acknowledged that that cohesion related to encouraging positive relationships between different groups (PCPW, 2007). The importance of reducing residential segregation as a key to encouraging interaction and cohesion was stressed and mixed housing was encouraged. To target neighbourhood decline in the poorest neighbourhoods, often public rental housing estates, the 'Residents' Empowerment Programme' was initiated in 2002. This programme aimed to widen residents' choices and enable them to gain for themselves access to a much broader range of opportunities in all spheres of life. The 'Public Welfare Support Board' system was launched in 2005 to involve different groups in public rental housing management. The board members consisted of ten members from local authorities, public agencies, and community voluntary organisations and they worked closely with tenants to deal with their needs. In REI project areas, the 'Public Welfare Centre' was set up to create a sustainable local economy through a partnership between the local community, private and public sectors. It was expected that the centre would help local authorities in developing housing care and repair initiatives and in improving the quality of service to residents with particular emphasis on the needs and aspirations of the most disadvantaged of the community.

As observed, the concept of community involvement was invoked as a 'remedy' for previous policy failures in Korea since the Economic Crisis. Government initiatives shifted from merely a requirement on local authorities to consult with potential users and beneficiaries of their schemes to a much stronger position whereby communities needed to be involved in the decision-making, design and delivery of services and local development plans. Therefore, dialogue with the community was fundamental in framing the policy agenda for cities and the activation of communities was at the core of recent governments', in particular The Participatory Government, approach to the revitalisation of cities (KIPA, 2005, p.133-51; PCPW, 2007, p.91-5).

However, it is open to question whether civil servants are ready to give up their bureaucratic attitude (KIPA, 2006). Even though 'community involvement' has emerged on the policy agenda, in practice, the idea has not yet appeared to go beyond simple consultation. It would seem that community involvement is viewed largely as a legitimising and socialising process designed to give public policy greater credibility among the residents of deprived areas. At policy level, community involvement is considered as an 'end', which aims to widen people's choices and enable them to gain for themselves access to a much broader range of opportunities. But in reality, systems and practice ensuring community participation have not well developed yet (PCPW, 2007, p. 96-8). The Presidential Commission on Public Welfare (2007, p.96)

observed that most projects under the name of community involvement were organised by the third sector organisations not by government and they did not continue very long because of lack of funds. Little evidence has been found of government support to enhance the capacity of individuals who were in vulnerable circumstances to improve or change their own lives. Kyung (2006) argued that people in deprived areas still have limited power in the decision-making process; there is still a limited flow of information and hence they have a limited influence on the actual outcome. Such people are no longer satisfied with such a limited role and therefore the nature of participation still has the radical, challenging and transformatory edge which was seen in the 1960s and the 1970s in the West. The existence of an official discourse advocating community involvement of *The Participatory Government* was to some extent just 'rhetoric'.

Conclusion

This paper has explored 'community involvement' in housing policy in Korea. It started from two main concerns: how the government in Korea has evolved the concept of 'community involvement' in their housing policies; and in what circumstances they have put it at the centre of their plans to deliver public services more effectively.

In Korea, there was no government financial support for housing, only for economic growth, on the assumption that increased household income through economic growth would translate into effective demand for new, decent housing. The government became involved in the housing sector in order to reduce housing shortage for the general population. But it still depended on the market to deliver housing. The support for low-income households was very limited. Until the 1990s, the idea of community involvement was encouraged in the belief that working with the public would help the progress of particular housing renewal projects or programmes. However, people had limited power in the decision-making process. They were not involved in planning when it was proposed; they might become involved later in the process. People were only able to hear what was being planned for them and what would be done to them; there was a limited flow of information and thus, they had a limited input into the actual outcome.

These market-oriented approaches failed to deal with the structural causes of decline. It was realised that physical and environmental development projects had a place but they needed to be closely integrated with people-based solutions. The 1990s saw the gradual reintegration of local government into housing initiatives and changes in housing policies were intended to

ensure that the needs of those who had experienced the worst effects of urban decline were integrated into housing initiatives, so that they would benefit from their outcomes. What is more, since new governments came to power in the late 1990s, 'community involvement' has become the central idea in their public policy discourses. They acknowledged that past policies had placed too much emphasis on physical renewal instead of better opportunities for local people; and on finding solutions from outside, rather than engaging local people. It has come to be believed that working with the community can bring alternative values and solutions, increased empowerment and fairness in decision-making. Recent governments in Korea would claim that 'community' is at the centre of their public policies. Institutionally, communities have more opportunities for involvement than they ever had before and are no longer expected to be just passive recipients.

However, there are always differences between rhetoric and practice. The discourse of community involvement does not serve as an automatic remedy for problems; community involvement can not be viewed as a panacea for all urban ills. The achievement of the desired effect of community involvement depends not only on institutional forms, but also on effective practice. Furthermore, it is evident that a policy of 'community involvement' alone is not enough to ensure that community needs are addressed or met.

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