

Government Policies and Development of the Middle Class in the Urbanization Process : Korea Experience

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KOREA RESEARCH INSTITUTE FOR HUMAN SETTLEMENTS
SENIOR RESEARCH FELLOW

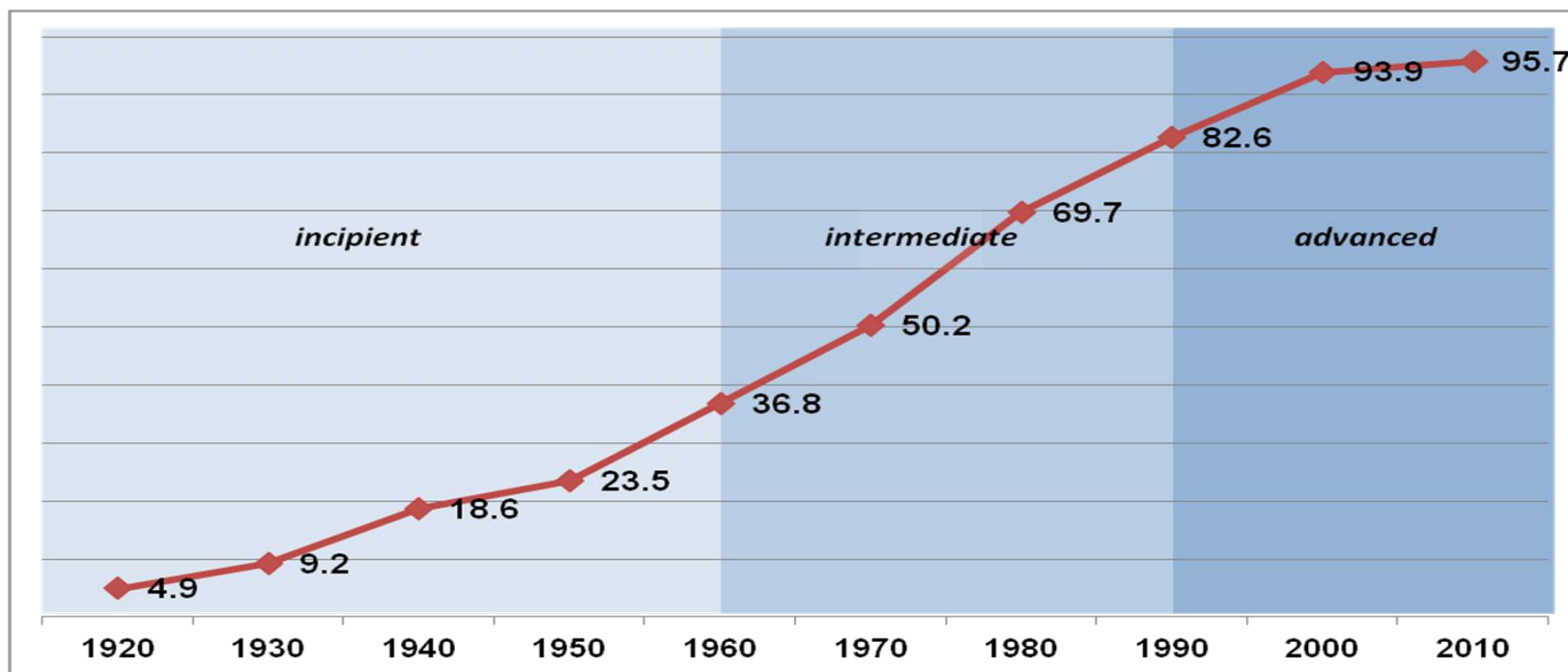
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AGENDA

1. **Urbanization in Korea**
2. **Infrastructure Development and Policies**
3. **Development of the Middle Class in the Urbanization Process**
4. **Conclusion**

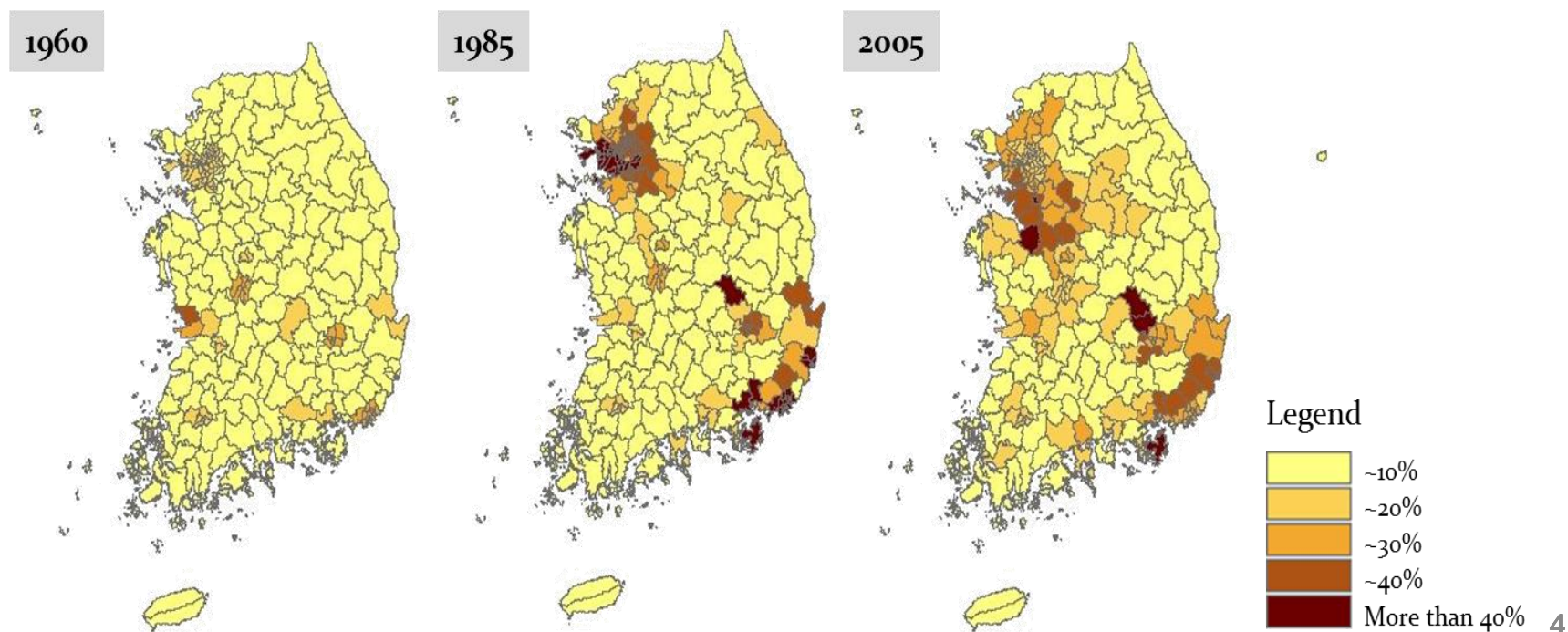
1. Urbanization in Korea

- Periodization of urbanization process and urban population increase
 - ✓ Incipient: immigration of rural peasants or refugees during the Korean war
 - ✓ Intermediate: synchronized with industrialization and modernization .
 - ✓ Advanced: metropolitanization by motorization and suburban development



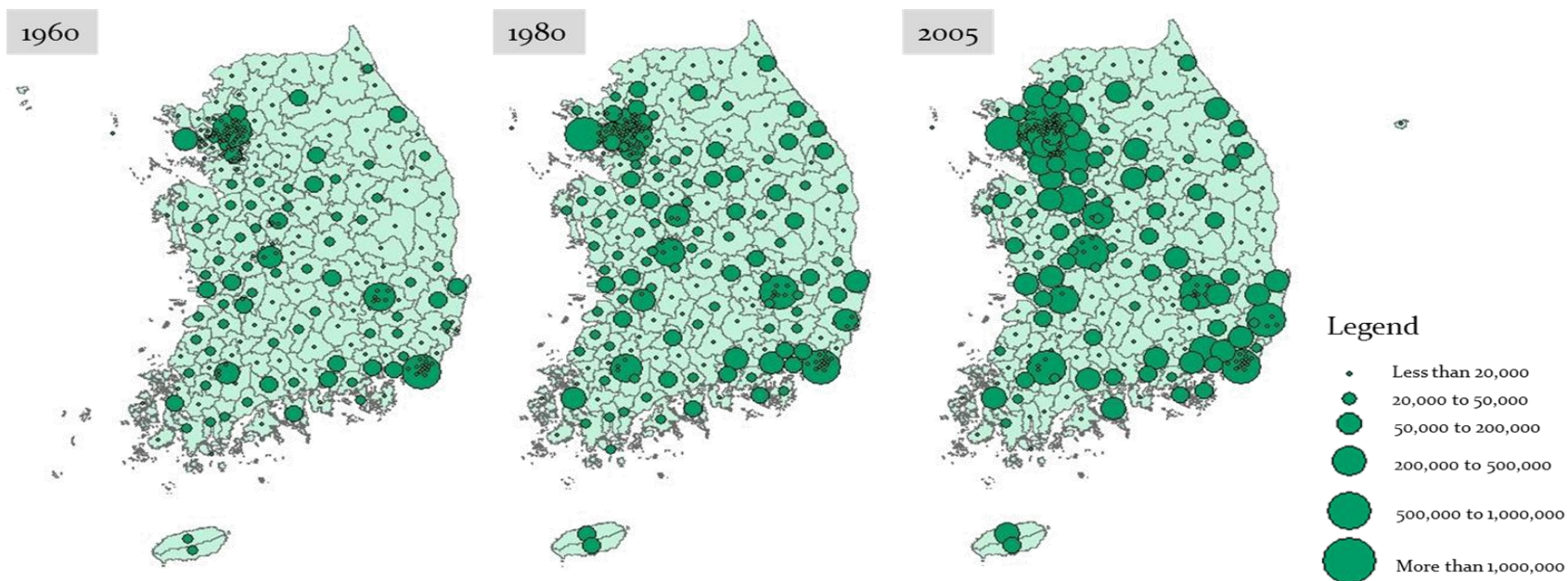
2. Infrastructure Development/Policies

- Strategic positioning and development of industrial districts
 - ✓ 15 light industrial districts were designated and developed in 1960s
 - ✓ Heavy industry complex was developed from 1970s: supported by
 - ✓ “the Promotion Act of Industrial Base Development”(whole and compulsory and purchasing of land)



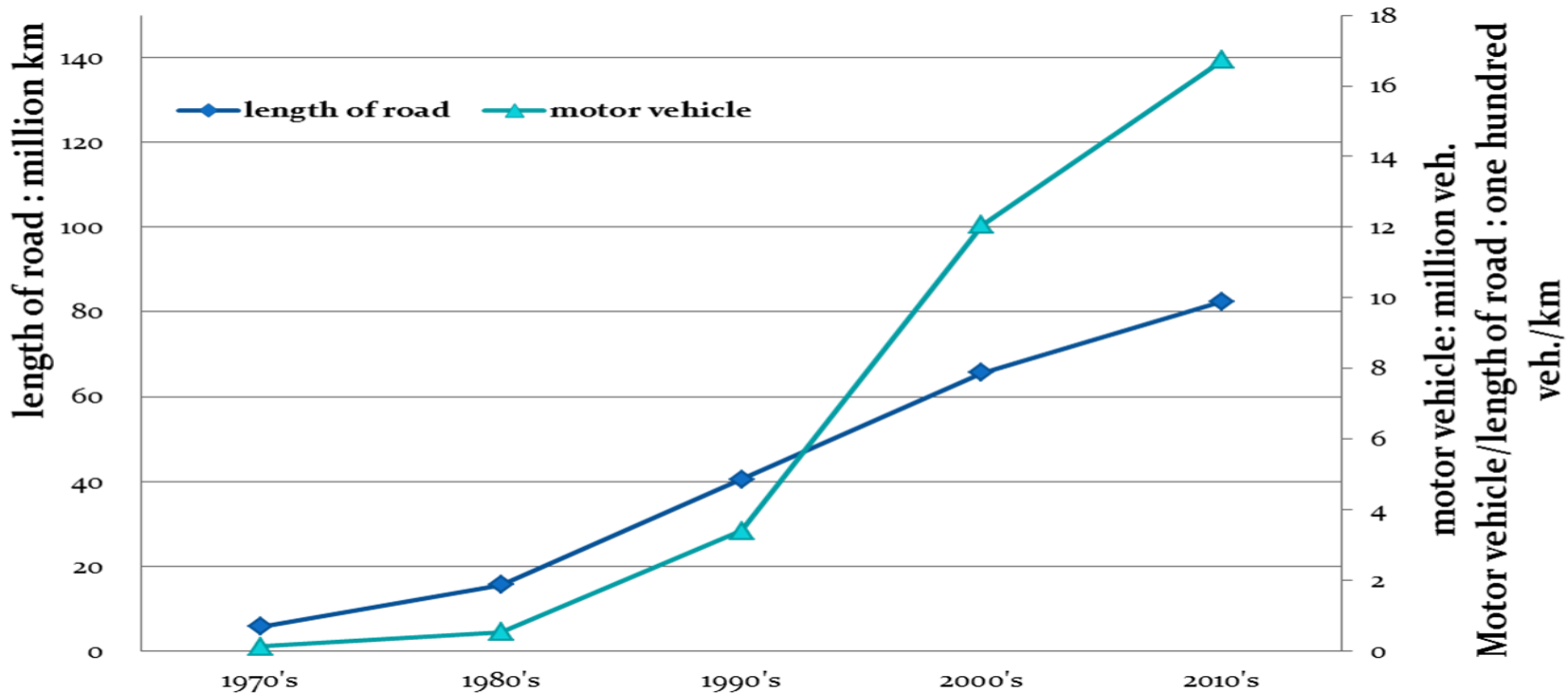
2. Infrastructure Development/Policies

- Urban planning and development
 - ✓ Before 1980: Concentrating on urban expansion by the Land Readjustment
 - ✓ 1980s~2000s: new towns for housing developed within/surrounding central city by the whole/compulsory purchasing method
 - ✓ Statutory Urban Planning supported the developer (public) by rezoning



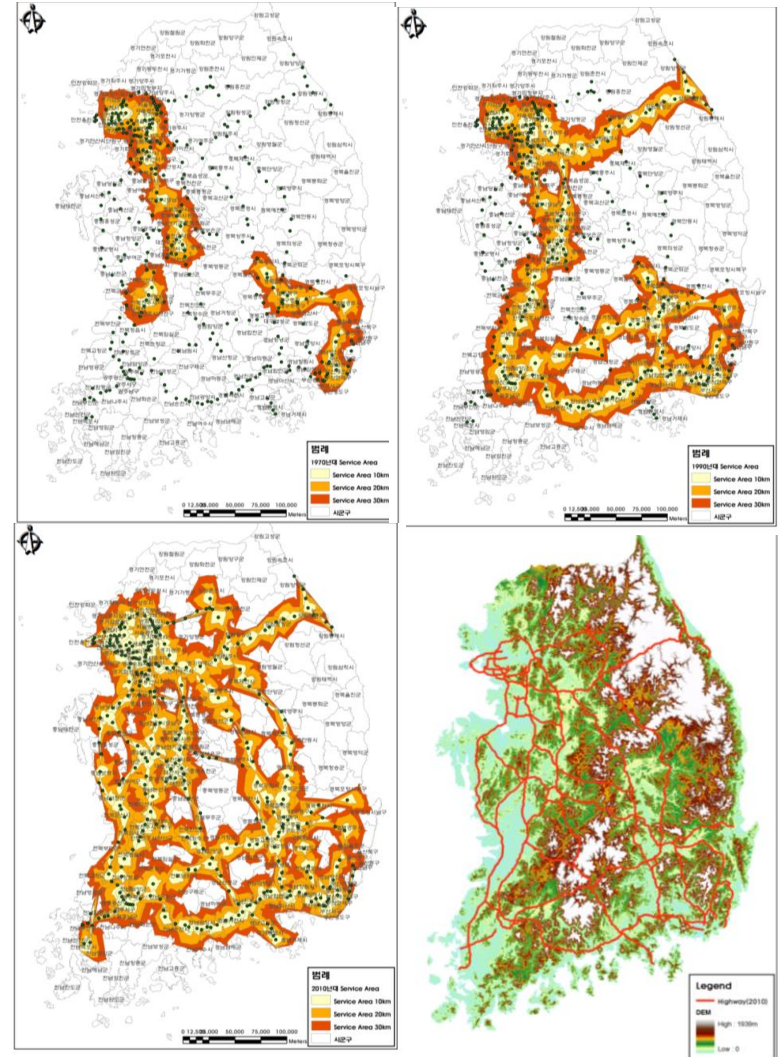
2. Infrastructure Development/Policies

- Development of transportation systems/infrastructure
 - ✓ Gyeong-bu Highway constructed in 1970: the era of one-day trip : became the main artery in economic activity
 - ✓ Rapid increase in the number of cars since the 1990s



2. Infrastructure Development/Policies

- ✓ Spreading of Metropolitan express ways (1980s, 1990s)
- ✓ Establishing the nationwide highway system (7 X 9)
 - : Providing access to the highway Interchanges(ICs) within 30 minutes (except for the mountainous areas)
- ✓ With the opening of Highspeed Railroad system, goods and people's movement were much more activated



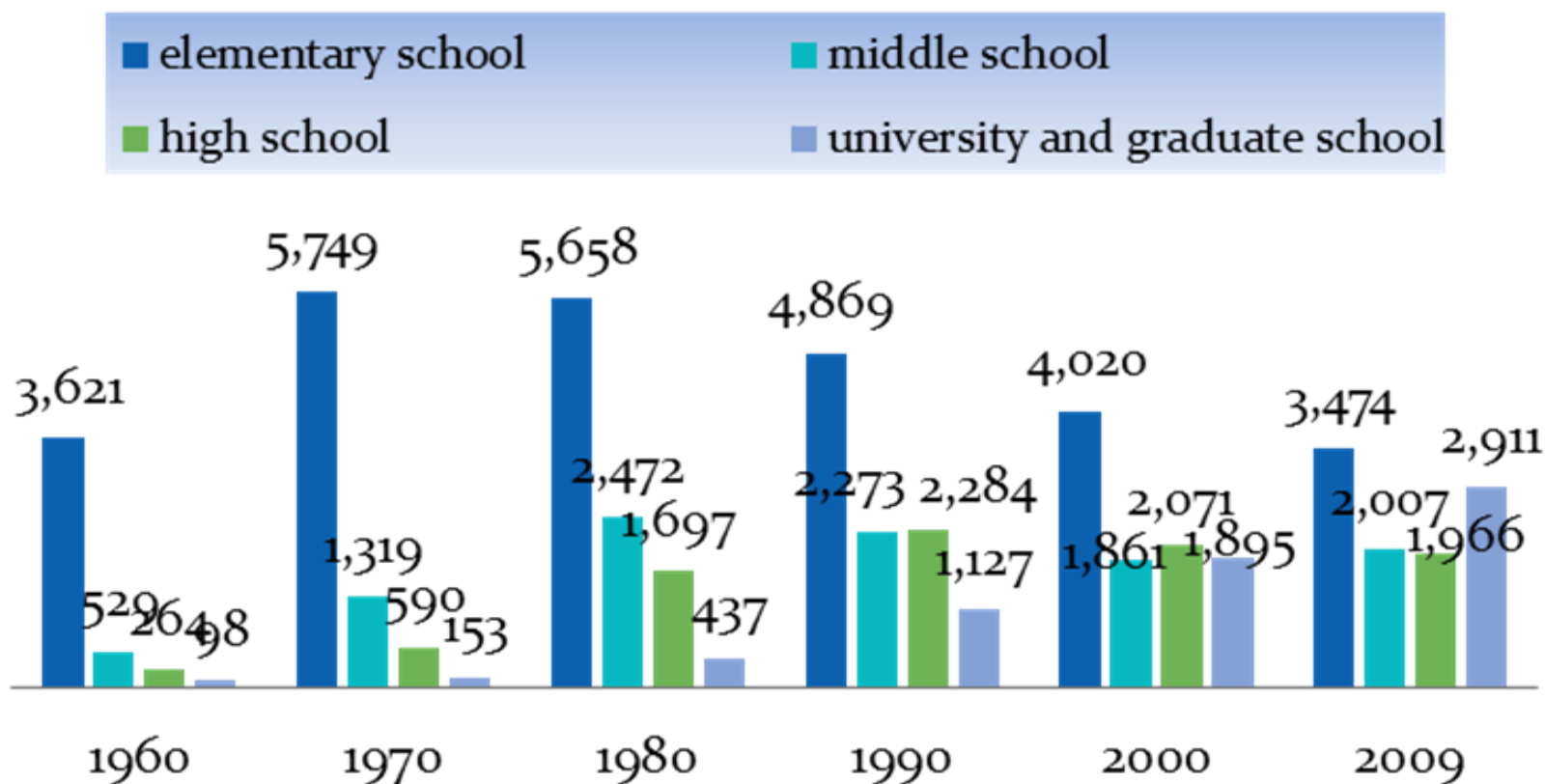
3. Development of the Middle Class

- Conditions set for forming middle class
 - ✓ Redistribution of farmland through the agrarian reform (1950)
 - : Basic Principle – Farmlands should belong to those who actually do farming.
 - : Enacting the ownership cap system for farmland(max. 3ha/family)
 - ✓ Increase in net pay of labor force
 - : Rapid progress of labor democratization along with announcement of Democratization in 1987
 - ✓ Rapid growth in well-educated people
 - : Nurturing the potential urban middle class

3. Development of the Middle Class

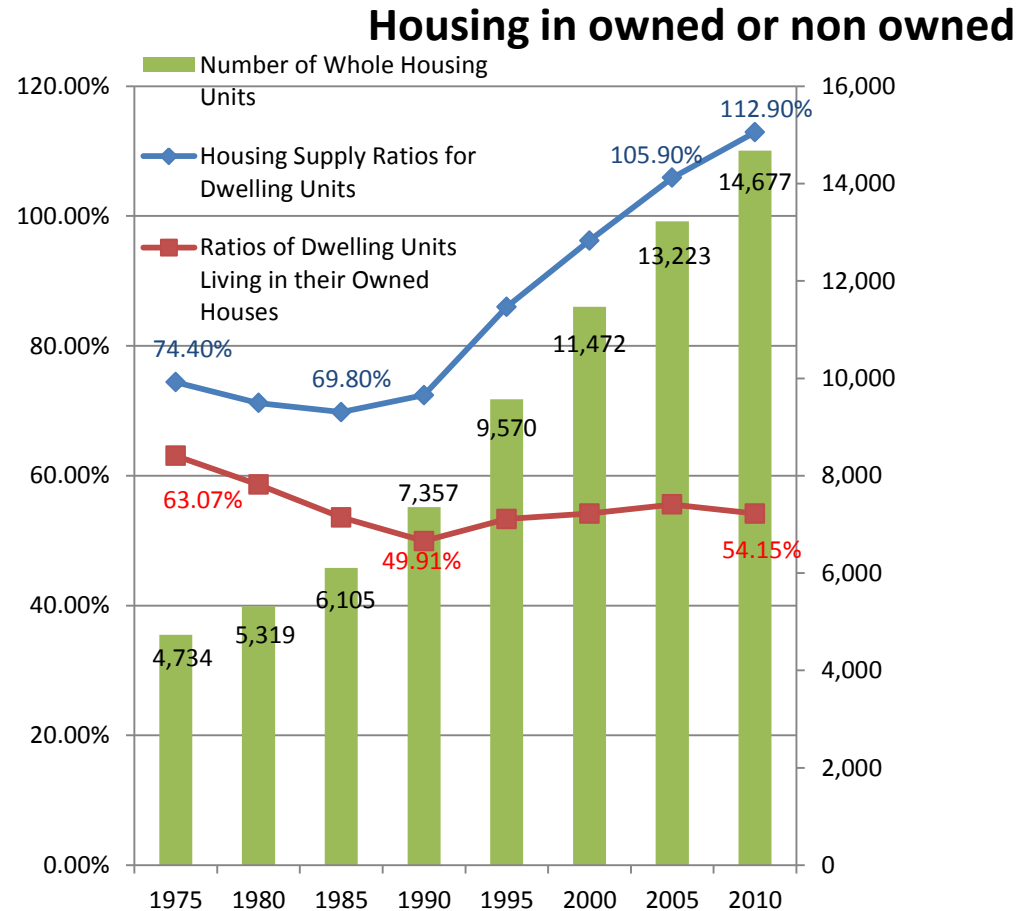
- Increase of educated people potential for future middle class forming

Number of students(thousand)



3. Development of the Middle Class

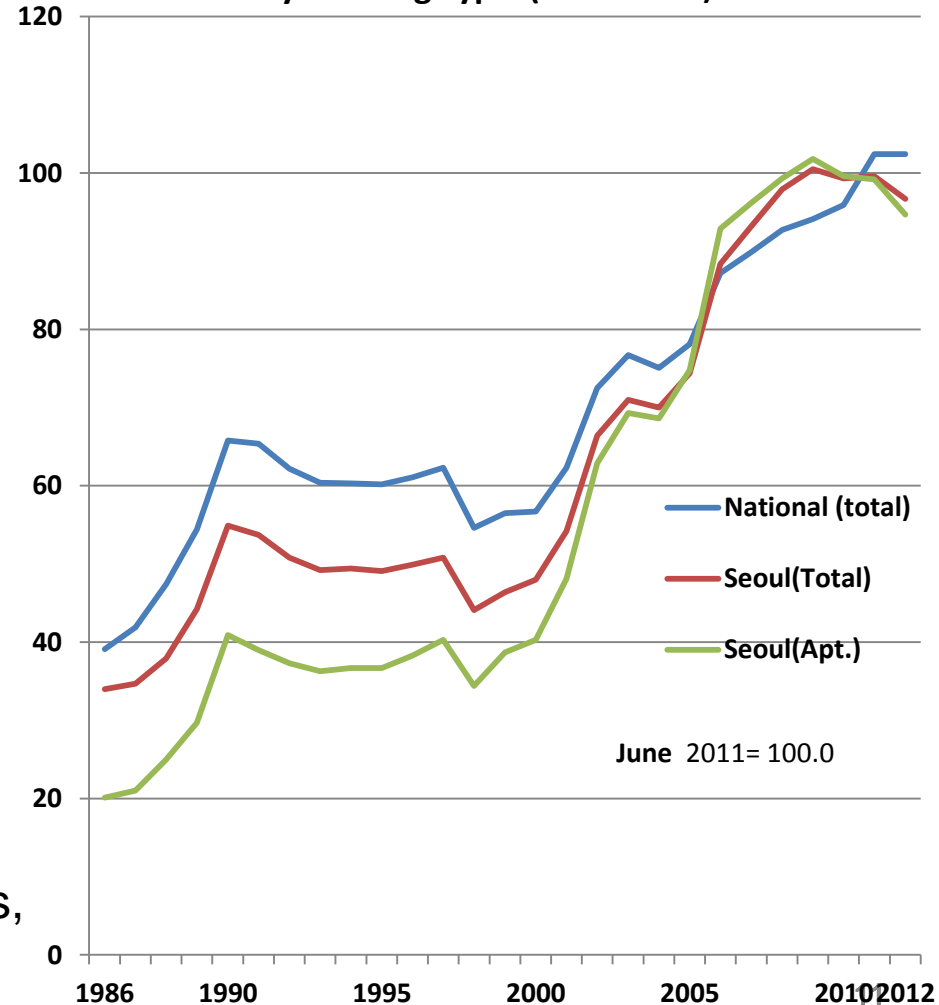
- Home ownership is the most important element in jumping on middle class family
 - ✓ Korea government had tackled housing shortage problem since the 1970s
 - ✓ The 2-million Housing Unit Construction Plan executed in the late 1980s
 - : whole housing units were doubled for the past 20 years
- Above middle class family :61%
 - 54% (living in their owned house)+
 - 7%(more than one house ownership)



3. Development of the Middle Class

- Supporting system for non-home owners to have new home
 - ✓ Housing National Housing System (1973~) : supporting housing developing company/ the non-home owners through the National Housing Fund
 - ✓ Housing Subscription Deposit System(1978~): prioritization in getting house according to depositing months of subscribed non-home owners
- Jumping on middle class by getting home
 - ✓ apartment price in Seoul over 16 years, 4.7 times increase (on average)

Changes in Housing Prices Index by Housing Types(1986-2012)



4. Conclusion

- Implication ①: Strategic spatial development and land development system
 - ✓ Implementing national territory development projects focusing on economic development strategies
 - : heavy industry complex was developed by the central government
 - : main infrastructure(arterial road network etc.) guided by the National Territory Comprehensive Plan
 - ✓ Urban planning and land use control system justified for public interest
 - : Securing land by designation for public facility long before implementation
 - : Land assessment for public purchase
 - : compulsory land purchasing for public development project

4. Conclusion

- Implication ②: Supporting the middle class forming in the urbanization process
 - ✓ Rapid urbanization and growth of urban population due to industrialization
 - : Accommodating infrastructure that can support the minimum quality of life
 - : Forming the middle class based on housing supply policies as a solution to housing shortage
 - But, widening the gap of assets value between home owners and renters
 - : Under the low-growth context, policies that allows renters to purchase their housing and encourage public housing supply should be considered.

THANK YOU