

# HOUSING PROBLEMS OF LOW-INCOME FAMILIES AND THE VOLUNTARY HOUSING SECTOR

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## **Introduction**

This paper, first, looks into the housing situation of the urban poor, second, reviews the government housing schemes designed for low-income households, and finally examines the importance of the voluntary sector in meeting housing needs of the increasingly marginalized urban poor.

## **Housing condition**

Housing condition in Korea has steadily improved during the past three decades. Housing shortage has been a major problem. Housing supply ratio (the ratio of the number of dwellings to that of households) was 84.2 % in 1960 and fell to as low as 70% in 1985. The ratio is now on the rise as shown in Table 1. And the country is expected to achieve a rough balance between the number of dwellings and that of households in a few years.

**Table 1. Changes in Housing Supply Ratio, 1960~1995**

	1960	1970	1975	1980	1985	1990	1995
Whole Country	82.5	78.2	74.4	71.2	69.8	72.4	86.0
Urban Areas	64.8	58.2	56.3	56.6	58.0	61.1	77.8
Rural Areas	89.7	93.4	92.8	91.8	92.7	98.1	115.2
Seoul		54.7	53.1	52.7	50.6	56.8	68.0

Source: National Statistical Office, Population and Housing Census.

Housing quality in terms of dwelling space per household and per person has also improved as shown in Table 2. More and more houses are being equipped with modern kitchens and flush toilets (Yoon, 1999).

Yet, in terms of tenure security, the situation has not been much improved. Table 3 shows that almost half of Korean households are living in rented houses. The latter is mostly private housing let or sub-let by ordinary homeowners.

**Table 2. Dwelling Density (1970~1995)**

	1970	1975	1980	1985	1990	1995
Average Housing Size (m <sup>2</sup> )	47.7	58.2	68.4	72.6	80.8	
Dwelling space per household (m <sup>2</sup> )	35.9	41.4	45.8	46.4	51.0	58.9
Dwelling space per person (m <sup>2</sup> )	6.8	8.2	10.1	11.3	13.8	17.1
Person per room	2.4	2.3	2.1	1.9	1.5	1.1

Source: KNHC (1990), Housing Statistics Yearbook.

**Table 3. Changes in Housing Tenure (%)**

	1975	1980	1985	1990	1995
Owner occupation	63.1	58.6	53.6	49.9	53.3
Chonseï	17.3	23.9	23.0	27.8	29.7
Monthly rental	15.5	15.5	19.8	19.2	14.5
Others	4.1	2.0	3.6	3.1	2.5
Total	100.0	100.0	100.0	100.0	100.0

Source: KHNC, Statistics Yearbook, 1983, 1980, 1990, 1995.

The terms of contract between landlords and tenants are very personal and customary. Although, the Housing Lease Protection Law prescribes rules on the determination of rent, terms of lease, preference repayment of *Chonseï*<sup>1)</sup> deposit and so on, the law is not so effective as to protect the tenants' right. Strict control of landlords' property right or their rental revenues would hurt the private rental market.

Financial burdens that lower-income families have to bear for their shelters remain also a problem. A survey in 1997 shows that the ratio of housing price to annual household income (PIR) of the bottom 20% of households was 8.3 while that of the top 20% was 3.1; for tenant households, the ratio of rent payments to household income (RIR) of the bottom 20% was 28.6% while that of the top 20% was 10.1% (Yoon, op. cit.)

All these figures indicate that many low-income families are still in poor and unstable housing conditions while overall housing conditions are improving. Besides these statistical indices, various types of substandard housing manifest the actual housing conditions of the urban poor. They include agricultural green houses remodeled into shelters, cellar or attic room

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<sup>1)</sup> *Chanseï* is one of the most popular rental tenure system in Korea. In this system, tenants deposit a lump-sum of money (*Chonseï* deposit) when they occupy rental houses instead of paying rents on monthly basis. The deposit is refunded to the tenants when the lease ceases. Interests on the deposits become rent.

rental dwellings, tenement houses commonly called honeycomb houses, lodging houses with comparted rooms, and homelessness.

Most of the urban poor traditionally lived in squatter settlements in urban areas. During the 1980s, squatter settlements in large cities including Seoul were widely redeveloped into middle income apartment estates. In case of Seoul, some 70,000 tenant households were evicted from squatter redevelopment projects between 1983 and 1992. They have moved in cellar-room rental dwellings or taken shelter in agricultural green houses in and around Seoul. The latter has become a dominant form of squatter settlements since the late 1980s. It is estimated that some 20,000 families (with a population of 100,000) are living in this new type of squatter huts in and around Seoul. (Ha, Seong-kyu, 1996).

Many low-wage workers of subcontract factories such as garment workshops live in what is commonly known as honeycomb houses. They are 2 to 5-storied tenement houses with tens of single room rental units densely clustered around small common courts.

Some of the jobless, often with mental or physical problems, take shelter in lodging houses in which rooms are partitioned into even smaller compartments in which one can barely lie at full length. They are normally rented on one-night basis and very rarely on monthly basis. It is known that there are some 5000 compartments in Seoul (KOCER, 2000a).

Homeless people have increased in Seoul since the economic crisis that began at the end of 1997. It is estimated that there are some 5,000 homeless people in Korea with 70% of them in Seoul. (KOCER, 2000b)

Although there has been no systematic survey on these types of substandard housing, and thus the information is rather fragmentary and estimated, it is obvious that most of the poor are not accessible to the housing schemes the government has recently adopted to help low-income households.

## Housing programs for low-income families

Public rental housing is generally regarded as the most appropriate housing tenure for low income families. It was as late as in the 1980s that Korean government began to provide public rental housing in earnest. Table 4 shows the stock of public rental housing by types.

**Table 4. Public rental housing stock (as of 1999)**

Types	Housing size (floor area in m <sup>2</sup> )	Terms for rent (year)	Housing stock (d.u)
Permanent Rental	45 or less	permanent	190,077
50-year Rental	60 or less	50	42,036
Public rental	mostly 60	5	308,458
Company Employees Rental	mostly 60	5, 10, 50	39,058
Peoples' Rental		10, 20	

Source: MOCT(2000).

Permanent Rental Housing is targeted at people in the lowest income bracket, namely Residential Protection Target Groups and Self-support Protection Target Groups as defined in accordance with the Livelihood Assistance Law. They are households who are unable to make a living, due either to wage earners too young or too old. Entitled to the Permanent Rental Housing are also households displaced by urban redevelopment projects and relief recipients (normally families of patriots and veterans martyred for the nation). Rental prices are usually 25 percent of market prices.

50-years Rental Housing was designed for relief recipients, the urban poor displaced from urban redevelopment projects and disabled persons who do not own homes. However, the government has no longer built this type of long-term rental units as well as Permanent Rental Housing since the early 1990s because of heavy financial burdens on the government.

Five-year Rental housing is the most popular public rental housing. It is

designed for low-income households who do not own houses and has saved certain amount of money with the Housing Subscription Savings. 100,000 units are provided annually.

Company Employees Housing is built for household-heads who do not have his/ her own homes and employed in companies with 5 or more employees. Industrial companies buy the houses at subsidized prices and then rent to their employees.

People's Rental Housing is newly designed by the new government in 1998. This has two types: 20-years rental housing is provided for households in the lowest 20% income bracket while 10-year rental for those in the lowest 40%. The government has a plan to build 50,000 units of People's Rental Apartments between 1998 and 2002.

Public rental housing currently accounts for only 5.5% of total housing stock. They are mostly short-term rental houses as shown in Table 4: in case of 5-year rental housing, after five years' mandatory rental period, they are sold off to the tenants.

The government provides for-sale public apartments (with a floor area of up to 85m<sup>2</sup>) for subscribers with the Housing Subscription Saving System. Since the provision of public rental housing impose heavier burden on the government, the provision of public for-sale apartments has been the principal policy. This year, the government plans to provide 80,000 units.

After the economic crisis in 1997, the government expanded housing loan programs.

Loans for Housing Purchase Scheme accommodates households who do not own homes, have an annual income of 30 million won or less, and want to buy houses with a loan of up to 1/3 of the house price or 60 million won at an annual interest rate of 7.75%.

Loans for New Housing Purchase Scheme provides housing loan to households who purchase new housing. The amount depends on the floor area of housing to be purchased: up to 30 million won for 60m<sup>2</sup> or less (at an annual interest rate of 8%); up to 40 million for 60 to 67m<sup>2</sup> (8.5%); 50 million for 67 to 85 (8.5%).

Loans for *Chosei* Deposit Scheme provides housing loan to households who

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do not own homes. For those who have an annual income of 30 million won or less, a loan of up to 1/2 of the *Chosei* deposit or 50 million won is provided at an annual interest rate of 7.75%. For the lowest income households, up to 10 million won are provided at an annual rate of 3%.

In order to promote private rental housing, the government also provide housing loan of up to 10 million won to multifamily tenement houses at an annual interest rate of 8%.

Landlords who purchase houses for rental business can get a loan of up to 30 million won for a dwelling unit at an annual interest rate of 7%.

For housing redevelopment and improvement projects, housing loans of up to 20 million for a unit are provided at an annual rate of 9.5%

Housing loans are also provided for the improvement of low-income settlements: a loan of up to 20 million won for a unit of detached house or multifamily tenements at an annual rate of 6%; up to 2.5 to 30 million won for an apartment house or row house at an annual rate of 7.5%. In addition, government-owned land equipped with necessary infrastructure is also provided at reduced prices.

Acquisition tax, registration tax and transference tax are reduced or exempted at various rates for small-size housing.

However, these schemes except the Permanent Rental Housing are not accessible to the urban poor in the lowest income bracket.

First, public housing except Permanent Rental and 50-year Rental Housing is mostly allocated to subscribers to the Housing Subscription Saving System. In order to subscribe with the saving system, one must be able to pay a monthly installment of 100,000 won. And it is doubtful that those in actual housing poverty can save 100,000 won every month. Actual beneficiaries of the loan programs are those who purchase houses and those who rent houses on *Chonsei* basis. They are mostly middle or lower-middle income families. Above all, the urban poor has no property they can offer as a security.

People's Rental Housing is to be allocated to those whose income range between the first and fourth decile on the income scale. However it is doubtful that the authority can identify the exact income of a family. Housing loans are to be provided at subsidized rate to low-income households with an annual

income of no more than 30 million won. A problem is that it is extremely difficult to identify the exact annual income of a family, and it is very likely that housing is allocated to higher-income households than the targeted income groups.

The unfairness of the government housing programs has long been a main point of criticism. For example, it has been criticized that public housing nominally targeting low-income people have often been allocated to middle income households. The new housing schemes also seem unable to escape the same criticism: most of them are beyond the affordability of the urban poor living in the substandard housing mentioned in Section 1.

Moral weakness or lack of the political will of the government to directly address housing poverty of the urban poor has often been blamed for the unfairness. However it is not simply a matter of morality of the government. The problem is that the urban poor in housing poverty is increasingly marginalized as a social force influencing the government, and the government has an intrinsic limitation in directly taking care of such diversified and marginalized groups.

The massive redevelopment of squatter settlements in Seoul meant wide disorganization of low-income communities. The urban poor has scattered and might have decreased in their number, and thus attracts less and less attention even from their once powerful supporters such as activist students and civil organizations seeking for social reform. At a time, in a coalition with anti-establishment movements including students, human rights groups, and so on, they were powerful enough to influence the government to provide the Permanent Rental Housing.

In the 1980s, political parties, government agencies and human right groups competed to hold public meetings and conferences to discuss housing problems of the urban poor. Their main concern has, however, moved to a variety of other social issues than low-income housing since the 1990s: economic justice, environmental protection, economic restructuring, reform of political systems have become main issues. Whatever the reasons, housing poverty of the urban poor has attracted less and less political attention. In other words, they are marginalized in terms of both their numbers and



influence upon housing policies.

The economic crisis in 1997 has brought about an even more significant change in the ideological as well as economical environment of housing discussion. Until the end of 1980s, main themes for housing discussion in Korea were related to the welfare aspect of housing and the question was how the government should meet social housing needs, particularly, of low-income households. The role of the state in housing was main focus. However, in recent years, the main themes began to change: market relations in housing sector or market forces rather than the role of the state are now regarded as of greater importance.

This marginalization of those in housing poverty requires a different housing system from the present one in which the government act mainly as a direct housing provider or controller.

## **The government and the voluntary housing sector**

### **The government and non-profit organization**

The government has limitations in taking into account the particular circumstances of minorities with a variety of different needs as the government primarily works on majority rule. Steinberg (1998) elaborates on this point.

There are minorities who expect something other than a general consensus in a society. The government is often inefficient in meeting the particular needs of these minorities as it basically works for the majority. The voluntary sector is more efficient in dealing with the particular and diverse needs of various minor groups.

Non-profit private organizations become the core of the voluntary sector and have some advantages over the government in dealing with the housing problems of marginalized groups. Non-profit organizations(NPOs) are answerable to a minority while the government is responsible and accountable to the majority. For example, the government cannot treat

squatters in a specific area preferentially because those who are in similar circumstance in other areas all over the country will demand the same or a better treatment for them. This may be one of the reasons why the government defines the target groups of its housing schemes in terms of income categories, which are very likely to be conceptual rather than practical as it is extremely difficult to identify who earns how much in Korea. NPOs are usually community-based and know well about the housing needs of its community members. They, acting upon strict moral principles, easily win public confidence and achieve local consensus.

Second, to take certain action, the government has to arouse public opinion, to obtain consensus of the public, to gather information and to organize bureaucratic system. In contrast, non-profit private organizations can take any action promptly: it is easy for a few volunteers of the same mind to form an organization for action. They are more sincere in understanding the situation of minorities who are alienated from the mainstream social policy and helping them to improve the situation. They can have easily friendly relations with marginalized groups who often mistrust the government and therefore are in a better position in dealing with low-income people.

The advanced capitalist countries have strong traditions of the voluntarism in the social-welfare sector. The non-profit private sector or the community sector is well developed. The Community Development Corporation in the United States, the HML(Habitations a Loyer Modere) organizations in France and Housing Association in the United Kingdom are good examples (see Drier, P. and Atlas, J., 1995; Smith and Oxley, 1988).

Although Korea does not have such strong tradition of voluntarism in housing as that developed in the western Europe, many voluntary activities are recently taking place helping low-income households. Self-support Assistance Centers which help people to find employment, to promote homecraft, or to run common workshops. There are also self-support community organizations which assists self-help home repairs and remodeling. Religious organizations, community-based organizations, social welfare organizations, the association of tenants, the associations of displaced families from urban redevelopment projects are candidates of non-profit

organization (see KOCER, 2000c).

### **Intermediary supporting agency**

The success of non-profit organizations depends on available resources. Support from the government, social welfare foundations and financial agencies are all important. Particularly, the role of supporting intermediary agency is essential. Non-profit organizations are working for marginalized neighborhoods. In other words, NPOs are mostly involved in risky business. Intermediary public agencies diversify the risks among agents involved and reduce the investment risk of private actors.

For example, from the point of view of financial supporters including the government, banks, social welfare foundations, it is extremely cumbersome and entails great administrative cost to inquire into the credit status of and to evaluate the performance of some hundreds small non-profit organizations scattered throughout the country.

From the standpoint of non-profit organization too, it is very costly business to deal with a variety of agencies including the government, commercial banks, social welfare foundations that have different criteria and procedures for action to get a small amount of subsidies or loans.

Intermediary agencies accumulate subsidies, loans, donations from diverse agencies into a pool of financial resources and then distribute them among non-profit organizations and also support and supervise them to use the resources both effectively and efficiently. Intermediary agencies provide technical assistance on planning and management of projects and sometimes act as guarantors of certain projects of non-profit organization.

What are commonly called housing partnership such as Neighborhood Reinvestment Corporation (NRC), Local Initiatives Support Corporation and the Enterprise Foundation is typical intermediary agencies in the United States (see Drier, P. and Atlas, J., 1995).

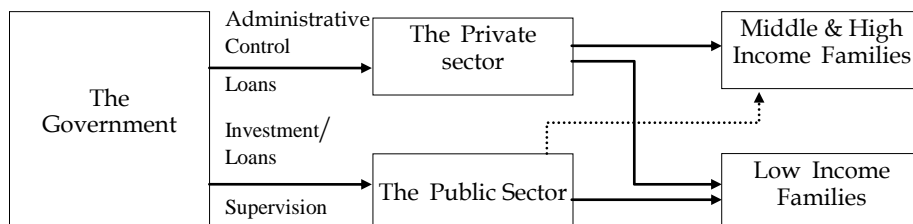
Korea has experiences of aided self-help and self-managed redevelopment and upgrading of low-income settlement in the past. However, such housing improvement programs were not so successful. Lack of funds due to the

low-income of the people and insufficient financial support from the government were blamed for a major reason. However, lack of skills and expertise in the business of redevelopment, lack of systematic public support, conflicts between people themselves, inability of the people to organize collective works, lack of leaders are also important factors of the failure of the projects (KRIHS, 1982). A recent survey of Housing Environment Improvement Projects in Seoul, which an aided self-help or community initiated development, reveals that public funds are being almost wasted because of inefficient planning and implementation of the projects: the projects merely reproduce another type of poor housing environment (Kwon, Y.D., 1999). This means that we need a well organized public supporting system to help communities to improve their housing conditions. Public housing agency such as Korea National Housing Corporation can be transformed into such a supporting intermediary agency.

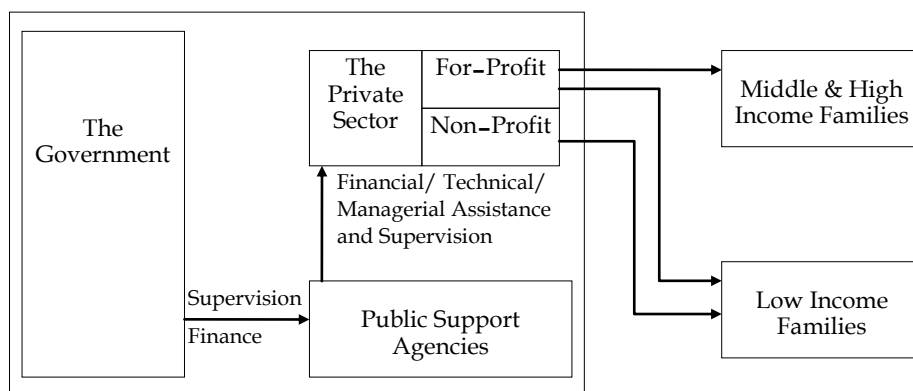
In conclusion, we need to promote the voluntary housing sector in order to help those in housing poverty. Further studies are required to examine the possibility of and find ways of developing the present voluntary organizations including Self-support Assistance Centers, Self-support Community Organizations, religious organizations, community-based organizations, social welfare organizations, Tenants Associations, the associations of displaced families and so on into non-profit housing organizations. At the same time, intermediary supporting agencies must be established to systematically support the activities of the non-profit organizations through partnerships or networking. This means a change of the present housing system into a new one, an enabling system, as shown in a conceptual diagram in Figure 1.

**Figure 1. Housing System**

Housing Provision in a Dual Structure (the present system)



Housing Provision in a Network (an alternative)



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