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HOUSING POLICY FOR LOW-INCOME HOUSEHOLDS IN KOREA:

APPLICATION OF POLICY ANALYSIS PROCESS THEORY

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by

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ABSTRACT

HOUSING POLICY FOR LOW-INCOME HOUSEHOLDS IN KOREA:

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This paper focuses on the analysis of Korea's housing policy for low-income households within a clear theoretical framework by applying policy analysis process theory to the housing policy of Korea. It makes a concise introduction of the public policy analysis process and reviews Korea's housing policies in terms of the public policy analysis process. Based on this analysis, this paper provides some recommendations for housing policy analysis system of Korea and the alternatives of housing policy for the poor; including a step that integrates political, economic, and social considerations; selecting more market-dependent approach with considering distinctive nature of housing problems; using indirect measures of housing policy such as taxation and financing rather than direct regulations; considering household characteristics in assistance criteria; focusing more on meeting various housing demands of the lowest social stratum.

CHAPTER 1:

Introduction

McGuire (1981) stated that "housing policy refers to the range of activities that government and private institutions jointly undertake to provide housing services for a [whole] population" (p.1). Nevertheless, it is still evaluated that the Korean government's housing policy has been aimed at the middle-income and high-income group rather than low-income people and thus the low-income group has been left out of the benefits of government housing policy. As a result, low-income families have faced such housing problems as the high rise in housing prices, lack of small-sized rental dwellings, and substandard housing condition, which do not enable them to live in safe and delightful housing condition as well as purchase their own houses.

Besides, most countries are facing a dilemma in identifying and implementing housing policies, because a government has to intervene in the housing market owing to its great importance in human life but, at the same time, needs to decrease its intervention in order not to expand the financial burden and distort the housing market. In this situation, it is very important to have specific policy analysis theory or model and apply it to real policy situation for the purpose of addressing the housing problems more appropriately and getting some systematic implications.

However, housing policy model of Korea can be defined as 'government initiated planning model' which failed to give clear theoretical framework (Suh, 1993). In this model, Korean government actively takes the initiative of developing sporadic plans and programs for housing problems by distributing housing resources and controlling private investment, without sufficient and comprehensive consideration of various evaluation criteria.

The purpose of this paper is to review and analyze the housing policy for low-income households in Korea within a much clearer theoretical framework by applying policy analysis process theory to the Korea housing policy. As Parsons (1995) mentioned, the policy analysis process approach can provide us with a rational structure and a context within which we can recognize the real world in a more manageable form and deploy different frames. Through this analysis of Korea's housing policy for low-income families, this paper tries to find out 'which method has been taken in defining housing problems,' 'what has been a dominant evaluation criterion of housing policy,' 'what alternatives have been implemented and how effective they are,' and 'what recommendations are needed to the housing policy of Korea.'

In this context, Chapter two gives an outline of housing problems of low-income households and the history of housing policy in Korea. Chapter three makes a concise introduction of the public policy analysis process as a conceptual framework. The focus of this chapter is on the literature review on the public policy analysis process. Chapter four reviews Korea's housing policies for low-income families in terms of public policy analysis process. Finally, on the basis of the analysis and evaluation mentioned above, Chapter five makes recommendations to housing policy analysis framework and the alternatives of housing policy for the poor.

CHAPTER 2:

Housing Policy and Problem in Korea

Before reviewing and analyzing housing policy of Korea, we need to figure out the reasons why governments are trying to intervene in housing market. Moreover, in order to enable better understanding of Korea's housing policy, this chapter introduces the brief history of Korea's housing policy and major problems of the housing policy for low-income families.

2.1 Why is government intervention needed in housing sector?

As Suh (1993) stated, until World War I, even the most advanced countries did not intervene in the housing market beyond regulatory actions to ensure minimum standards of safety. However, nowadays most of the governments have a great effect on housing market through various housing policies, although each country's housing policies are very different according to its level of economic development and the political ideology. From the viewpoint of the economy, a government would not need to intervene if the housing market mechanism guaranteed optimal allocation between demand and supply. However, it is impossible for the optimal allocation to be assured in real world.

But government does not intervene in every market where the optimal allocation between demand and supply is not guaranteed. In addition to the economic aspect, the housing market has political and social importance enough to be intervened by government. McGuire (1981) stated that housing is 'a pillar of social stability' because it has intimate relationship with family life. In this sense, he mentioned "the very nature of housing makes it political and hence subject to political pressures in all of its facets--production, financing, and consumption" (p. 1).

Regarding the social aspect of housing, as McGuire (1981) stated, some governments have adopted housing policies that pursue not an increase of housing provision but "an equitable distribution of housing to all segments of the population," and he put stress on that "in racially homogeneous countries the avoidance of segregation by class and income is often a stated government policy that is implicit in all public sector activities" (p. 9). Moreover, government can use housing policy as an important tool for regulating or promoting national economic growth.

However, excessive government intervention in housing system could have a negative effect of housing market distortion such as an ultimate hike in housing prices, and a decline in housing industry. Therefore, government involvement in the housing market needs a more considered approach in order not to be a policy failure which aggravates the housing situation.

2.2 History of housing policy in Korea

As this paper states in the following section, one of the most significant housing problems in Korea is the shortage of housing, including rental housing. In other words, there have not been enough dwelling units that are needed in order for every household to have its own use of a house. According to Koh (2004), the shortage is known to have its origin in the wartime destruction of the existing housing stock and over a million people's southern migration from North Korea during the Korean War (1950-1953). He also mentioned that "the large initial gap between housing units and households was further increased by the high population growth in 1960s, rural-to-urban migration and changes in the family structure in the 1970s" (p.2). Moreover, the government's housing policies such as urban redevelopment has caused the negative effect of aggravating the shortage of housing for the poor by reducing the number of small units of housing that could be purchased by low-income people.

However, in spite of the first Five-year Economic Development Plan which had been implemented by the government from 1962 to 1967, the government did not accept housing problems as a important policy issue. Koh (2004) evaluated that government would not try to allocate budgetary funds for the housing sector because the housing shortage was not considered as a priority problem until the 1970s.

In 1972, Government enacted the Housing Construction Promotion Law (HCPL) in order to meet the increasing demand for housing. According to HCPL, a plan was designed to produce up to 2.5 million housing units over a ten-year period of 1972-1981. However, the plan was not implemented as scheduled because government put most of its investment funds into developing the heavy industries. The other reason why the plan did not move forward was housing speculation, another main housing problem of Korea.

As housing prices sharply rose after the mid-1970s, the government paid immediate attention to stabilizing it. For example, the Housing Sale Price Ceiling System has been implemented to prevent homebuilders from attaining speculative profits. However, the price control system has been criticized for discouraging homebuilders' housing supply and not stabilizing the housing market price because of stimulating demanders' housing speculation instead.

Nonetheless, as a result of the several housing construction plans, the rate of housing units to households in whole country increased from 74.4 percent in 1975 to 100.6 percent in 2002 (Table 1). However, as shown Table 2, although the rate of housing units to households in Korea was more than 100 percent in 2002, there is still big gap in the rate between Korea and other developed countries such as America, France, and Japan. Moreover, the housing shortage rate in urban areas including Seoul where about one fifth of whole population live was 17.6 percent in 2002 (Table 1). With the very increased housing prices, the high housing shortage rate in urban areas such as Seoul has made it worse for low-income families in cities to own their houses and live in rental houses.

Table 1. Household and Housing Unit Change: 1975 to 2002

	1975	1980	1985	1990	2000	2002
Number of households (thousands)	6,367	7,470	8,750	10,223	11,928	12,286
Housing stock (thousands)	4,734	5,319	6,104	7,374	11,472	12,358
Supply ratio (whole country ,%)	74.4	71.2	69.7	72.1	96.2	100.6
Supply ratio (Urban area, %)	56.9	56.6	57.8	65.6	77.4	82.4

(Supply ratio: housing stock/number of households x 100)
(Source from: Ministry of Construction and Transportation of Korea, 2004)

Table 2. The Rate of Housing Units to Households among Countries

	Korea	America	British	France	Japan
The rate of housing units to households(%)	*86.1('95)*		*105.6('96)*	*121.2('96)*	
	96.2('00)	111.2('99)			113.8('98)
	98.3('01)	111.3(00)	103.2('01)		
	100.6('02)				

(Source from: Ministry of Construction and Transportation of Korea, 2004)

2.3 Housing problems of low-income families in Korea

2.3.1 The shortage of public rental housing

One of the most important factors in the housing problems of low-income people in Korea has been the shortage of public rental housing. It is no wonder that low-income families prefer 'public rental housing' to 'public housing[1] for sale' since they do not have enough economic affordability to buy their own houses. However, according to Park (1993), the Korean government implemented a policy to expand 'public housing for sale' rather than 'public rental housing' until the 1980s because provision of long-term rental housing imposed a heavy financial burden on the government.

Actually, the government began to provide the public rental housing in 1970 within the framework of the government's housing construction plan. But the government produced just a little quantity of public rental housing and it sold out the rental dwellings after only one or two years of renting so as to compensate for the government's financial difficulties. Thus, the government did not contribute to increasing the public rental housing stock until 1986, by when the ratio of public rental housing units to whole housing provision was just 6.7 percent (Table 3).

After enacting the Rental Housing Promotion Law in 1984, the government began in earnest to increase financial assistance for public rental housing construction. Public rental housing of Korea could be classified with permanent rental housing, time-limited rental housing, and rental housing for company employees. Among them, as Koh (2004) stated, permanent rental housing is recognized to be the true sense of rental housing since it is to provide low-cost rental housing to the people in the lowest 10 percent income group who are protected by the National Livelihood Program.

However, as shown in Table 3, permanent rental housing had been built just in the small amount of 190 thousand units by 2003, which was less than 25 percent of total

[1] Public housing can be defined as that constructed with the support of the public housing funds or government expenditure. (Park, 1993)

public rental housing stock. Moreover, the ratio of public rental housing units to whole housing provision that was 14.7 percent in 2003 did not show meaningful improvement (Table 3). In this sense, the government has still had heavy political pressure from the low–income families for whom the housing problem has become the main factor of complaint.

Table 3. The ratio of public rental housing units to whole housing provision

	Whole housing provision	Rental housing provision					
		Subtotal	(Ratio)	Public rental	Permanent rental	Company rental	National rental
'82~'86	1,155,071	77,719	6.7%	77,719			
'87	244,301	51,918	21.3%	51,918	-	-	
'88	316,570	52,218	16.5%	52,218	-	-	
'89	462,159	82,475	17.8%	39,222	43,253	-	
'90	750,378	144,544	19.3%	64,890	60,004	19,650	
'91	613,083	76,391	12.5%	15,074	49,607	11,710	
'92	575,492	62,679	10.9%	15,121	36,706	10,852	
'93	695,319	41,525	6.0%	30,912	507	10,106	
'94	622,854	74,862	12.0%	65,751	-	9,111	
'95	919,057	82,032	8.9%	77,584	-	4,448	
'96	592,132	111,063	18.8%	104,648	-	6,415	
'97	596,435	108,728	18.2%	108,115	-	613	
'98	306,031	93,795	30.6%	91,294	-	-	2,501
'99	404,715	109,417	27.0%	89,107	-	84	20,226
'00	433,488	95,932	22.1%	85,923	-	-	10,009
'01	529,854	102,557	19.4%	66,980	-	350	35,227
'02	666,541	86,586	13.0%	35,767	-	-	50,819
'03	585,382	86,005	14.7%	12,977			73,028
Total	10,468,862	1,540,446	14.7%	1,085,220	190,077	73,339	191,810

(Source from: Ministry of Construction and Transportation of Korea, 2004)

2.3.2 High increase of housing prices

The high increase of housing prices is the other major housing problem facing the government. Absolute housing shortage inflated housing price excessively and it made housing exchange value exceed housing utility value, giving higher priority to investment value.

Koh (2004) diagnosed that the speculative investment in housing and land, caused by excessive housing demand, has been the main cause of a drastic increase in housing prices and the government's anti-speculation measures were taken as a temporary expedient so that they would not discourage speculative minds in the long run. As a result, during the period of 1975-1988, Korea experienced a 4.7 times increase in housing prices, whereas GNP increased by just 2.8 times and consumer prices increased by 3.5 times (Park, 1993). Park (1993) also showed a critical example that the average housing prices increased by 29 percent during only a one-year period from 1989 to 1990. Moreover, the house price-to-income ratio of Korea is very high, 6.2 percent in 2003, compared with such countries as British, France, and the United States (Table 4).

The government's continuous failure of housing price stabilization had made most of middle-income or high-income people regard houses as the targets of speculation. As a result, a high increase in housing prices has aggravated especially the housing problem of poor tenants who have been forced to move into lower-rent houses more frequently. Besides, it is requiring a longer period of time for low-income people to save enough money in order to purchase houses because of the consecutive increase of housing prices.

Table 4. Price income ratio (PIR)

	Korea	America	British	France	Japan
Price income ratio (PIR)	5.7('95)	2.19('95)	3.4('95)	6.5('94)	6.8('95)
	4.2('98)	2.17('99)			
	5.5('02)		3.3('01)		
	6.2('03)		2.6('03)	2.5('03)	

(Source from: Ministry of Construction and Transportation of Korea, 2004)

2.3.3 Substandard housing

Another important characteristic of the housing problem of the poor has been the amount of substandard housing. Living conditions seems to have been improved in the 30 years, but, as Koh (2004) emphasized, we need to consider that the improvement in room occupancy density and floor space has been mainly caused by the decrease in household size rather than the improvement in housing size in itself.

According to Park (1993), although there has been a tendency for the average number of persons per room to be reduced and for average dwelling size to increase since 1970, the housing condition of the low-income group has still been far behind the standard housing condition as follows. First, 'average housing space per dwelling' in substandard areas is much smaller than the average housing space in Seoul, whereas the number of households per house in the poor living areas is considerably higher than the average. Next, the substandard dwellings also lack 'basic facilities and neighborhood services' such as a piped water supply, a toilet, clinics, and schools (p. 159).

Furthermore, Chung (2003) diagnosed that, in spite of the government's efforts such as 'Relocation program' and 'Redevelopment program,' living conditions of low-income families have not improved as expected and the gap in housing conditions among income classes is still large. According to the data from the Population and Housing Census in 2000, about 3.3 million households, approximately 23 percent of the total number of households, were living in deteriorating dwellings which were below the minimum housing standard.

CHAPTER 3:

Public Policy Analysis Process: Conceptual Framework

Nagel (1986) defined public policy analysis as "determining which of various alternative public or governmental policies will most achieve a given set of goals in light of the relations between the policies and the goals" (p. 247). The goals of policy analysis extend beyond the production of factual information about the causes and effects of policy, thus policy analysts also pursue policy evaluation which produces information about values of preferable causes of specific action (Dunn, 1981).

There are plenty of frameworks as analytical tools for the policy analysis such as public choice, political philosophy, social structure, comparative public policy, and policy analysis process. Among these frameworks, policy analysis process approach has such usefulness as providing us with a well-defined analytical tool to deal with specific policy problems effectively and to suggest adequate policy alternatives. In this sense, this paper adopts and integrates some representative policy analysis process approaches as an analytical tool to review housing policies for low-income families in Korea.

A plenty of studies suggest various policy analysis process approaches. For examples[2], Patton and Sawicki (1993) created the six-step policy analysis process: "problem definition, determination of evaluation criteria, identification of alternatives,

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[2] For much information, Dunn (1981) suggested following five policy-analytic methods are the most general procedures available for producing and transforming information: "Structuring policy problems, Forecasting policy alternatives, Recommending policy actions, Monitoring policy outcomes, and Evaluating policy performance."

Furthermore, Hogwood and Gunn (1984) listed 9 sets of cutting up the policy process analytically in terms of bringing to bear an issue: "Deciding to decide (issue search or agenda-setting); Deciding how to decide (or issue filtration); Issue definition; Forecasting; Setting objectives and priorities; Options analysis; Policy implementation monitoring, and control; Evaluation and review; and Policy maintenance, succession, or termination."

evaluation of alternatives, comparison of alternatives, and assessment of outcomes." Ripley (1985) mentioned six stages which are useful for the purposes of describing both political processes and attendant intellectual processes: "agenda setting, goal setting, alternative development and selection, implementation of the selected alternative, evaluation of implementation, and evaluation of results."

However, Patton and Sawicki (1993) admitted that although these stages mentioned above are the major steps in the policy analysis process, various routes may be taken through the policy analysis process in a real policy situation according to the nature of the policy problem, limitation of time and resources, political leadership, culture of organization, level of economic and political improvement, and so on. Furthermore, as Parsons (1995) mentioned by quoting Sabatier and Jenkins-Smith, the following criticisms may be made to the policy analysis process approach:

> It does not provide any causal explanation of how policy moves from one stage to another; it cannot be tested on an empirical basis; it characterizes policy-making as essentially 'top-down', and fails to take account of 'street-level' and other actors; it does not provide for an integrated view of the analysis of the policy process and analysis which is used in the policy process; and policy analysis does not just take place in the 'evaluation' phase (pp. 79-80).

Therefore, we need to be careful not to let this analytical tool distort our understanding of real policy situation by establishing clear-cut lines of its usefulness and limitation.

This paper reviews the following policy analysis process: agenda setting and problem definition, determination of evaluation criteria, identification of alternatives, evaluation of alternatives, selection of alternatives, and evaluation of implemented policies.

3.1 Agenda Setting and Problem Definition

Ripley (1985), and Hogwood and Gunn (1984) introduced the agenda-setting stage as the first step of policy analysis process. According to Ripley, the agenda-setting stage refers to the "political and intellectual processes" by which a government selects problems to consider its action. Dunn (1981) called attention especially to the fact that the understanding of the meaning of 'policy problem' is recognized in various different ways by different parts of the population since policy problems have the characteristics such as "interdependence, subjectivity, artificiality, and dynamics."

Once a problem or policy issue has been identified, it normally requires some further definition, which is called 'issue definition' or 'problem definition,' to clarify vague goals attached to each agenda. Dunn (1981) stated that information about the potential solutions for a problem can be obtained by applying the policy-analytic procedure of 'problem structuring' which is a phase in the process of inquiry where analysts try to find out possible definitions of a problematic situation, and that the problem structuring is obviously one of the most important process but we do not have deep understanding of this aspect of policy analysis.

Patton and Sawicki (1993) stated that during the problem-definition stage analysts try to identify the problem in concrete terms and to develop a statement that provides a deep understanding of the problem's technical and political aspects. In this sense, Patton and Sawicki (1993) explained two ways of identifying problems, the 'pragmatic approach' and the 'social-criterion approach':

> 1) The 'pragmatic approach' is consistent with the perspective that a policy analysis can be conducted only when there is disagreement about how an issue or problem is being handled, and when there are alternative ways to deal with the problem. If you cannot do something about a problem, if things cannot be changed, then a person adopting this approach would maintain there is no need to do a policy analysis.

> 2) In the 'social-criterion approach' to problem definition, the analysts seek out expressions of discontent and try to define societal problems that should be solved. Identifying problems in this way may be more difficult because of the conflicts between individual problems and societal problems, between widespread problems and serious problems, and between absolute and relative problems (p.148).

Furthermore, Patton and Sawicki (1993) put stress on the fact that problems can be verified, defined, and detailed only in relation to the "values of the groups and individuals involved." Thus, it is noteworthy that "the conflicts between individual and societal problems, between widespread and serious problems, and between absolute and relative problems clarify the importance of values in identifying problem" (Patton and Sawicki, 1993, p. 149).

3.2 Determination of Evaluation Criteria

According to Patton and Sawicki (1993), evaluation criteria are used to compare alternatives and decide which will be acceptable to the goals of the agenda. By stating the evaluation criteria before identifying and comparing alternatives, the analysts can establish rules to follow and reduce the temptation to justify favorite options in next steps (Patton and Sawicki, 1993). In this sense, Hogwood and Gunn (1984) also emphasized that it is necessary to identify "the relative priorities of objectives competing for limited resources" because there is often a gap between the expectation and real impact, thus we always need to look for the answer to such questions as "what are we trying to do? and how will we know when we have done it?" (pp. 8-9)

Quoting Bardach's typology, Patton and Sawicki (1993) suggested four broad categories as evaluation criteria: 'technical feasibility, economic and financial possibility, political viability, and administrative operability' as follows and these types of criteria depend on the "characteristics of the problem, the goals, and alternative actions or programs under consideration" (p. 207):

> 1) 'Technical feasibility' criteria measure whether policy or program outcomes achieve their purpose. The two principal criteria that fall under this category are effectiveness and adequacy. The criterion of effectiveness focuses on whether the proposed policy or program will have, or has had, its intended effect. Adequacy measures how far toward a solution we can proceed with resources available.
> 2) 'Economic and financial possibility' criteria measure, first, what the programs cost, and second, what they produce as benefits. Benefits can be direct or indirect, short-and long-term, quantifiable or not. Economic efficiency asks that the benefits to be gained in the use of resources be maximized-the result being the maximization of satisfaction by society.
> 3) 'Political viability' criteria measure policy or program outcomes in terms of impact on relevant power groups such as decision makers, legislators, administrators, citizen coalitions, and other political alliances. The central question is whether one or more alternatives will be acceptable. Measurements in this category are often subjective and less quantifiable.
> 4) 'Administrative operability' criteria measure how possible it is to actually implement the proposed policy or program within administrative context. This category addresses such questions as 'Is the staffing available, will government employees cooperate in delivering the service, do we have the physical facilities necessary, can it be done on time?' (p. 208)

Regarding the criteria for policy evaluation, Dunn (1981) distinguished 'criteria for policy evaluation' from 'criteria for policy recommendation.' According to Dunn (1981), the main difference between two kinds of criteria is only the time at which criteria are used; criteria for evaluation are applied before choosing an alternative; on the other hand, criteria for recommendation are applied after implementing the alternative. In this context, Dunn (1981) suggested six criteria for policy recommendation and policy evaluation: "effectiveness, efficiency, adequacy, equity, responsiveness, appropriateness" (pp. 232-239, pp. 342-345).

3.3 Identification of Alternatives

Patton and Sawicki (1993) stated two major ways of searching for alternatives: 'researched methods' and 'basic methods.' Researched methods are taken to identify some measures for a certain problem and decide their efficiency or feasibility under various parameters. On the other hand, basic methods are quick methods for identifying alternatives by using non-researched approaches. The basic approach of locating existing alternatives is more useful in identifying small-size and short-term policies than national-level and long-term policies. The exemplary basic methods of identifying alternatives are as follows:

> 1) 'No-action analysis' investigates the status quo to see whether time might resolve the problem and to provide a base against which to measure other alternatives. Creating a useful baseline alternative is a compelling reason to develop a no-action analysis, but it rarely involves doing absolutely nothing. Thus, it is seldom true that the no-action alternative has no direct cost.
> 2) 'Literature reviews' can reveal successful solutions used elsewhere (both successes and failures). Books and journals in the fields of planning and policy analysis may contain cases that will illuminate the search for alternatives.
> 3) 'Brainstorming' can be used to conceptualize possible solutions to problems. Osborn's brainstorming technique is more formalized and structured; ideas are developed in a first-phase brainstorming session where criticism and evaluation are kept to a minimum, and ideas are evaluated in a follow-up session. A properly conducted brainstorming session can produce many more good ideas in less time than a typical conference (pp. 235-243).

Bardach (1996) suggested 'ten things governments do' to help us identify alternatives. This framework enables us to identify abundant alternatives from the perspective of the various relationships between government and society. Among the things governments do, four representative things are as follows:

> 1) 'Taxes': the most common conditions in which "taxes" are a solution are when there is inadequate government revenue for some purpose and when the structure of market prices fails to capture the true economic opportunity costs. If market prices are wrong, there are usually deeper structural reasons, like oligopolistic power or government overregulation of some input, which might bear correcting by other means as well.

2) 'Regulation': there are three quite different types of "regulation." One aims at prices and outputs in "natural monopolies." The Public Utilities Commission regulating local telephone service is an example. A second type aims to correct imperfections arising from poor market information or from excessive frictions resulting from the use of civil law remedies. Drug safety regulation by the FDA is an example. A third type of regulation concerns entry, exit, price, and service levels in supposedly oligopolistic industries, e.g., transportation.
3) 'Subsidies and Grants': subsidies and grants are often used to stimulate activities that neither markets nor nonprofit nor voluntary action appears to produce in adequate quantity or quality. They also transfer resources to people or organizations or levels of government in order to make the recipients wealthier.
4) 'Information': information production, dissemination, and validation may be suboptimal due to the declining average and sometimes marginal cost nature of the activity. [Therefore, a government needs to simplify information, or subsidize production and dissemination of information] (pp. 36-39).

Furthermore, Patton and Sawicki (1993) put stress on the fact that analysts can enhance the chances of identifying various adequate alternatives by avoiding a number of pitfalls such as 'relying too heavily on past experience', 'failing to record ideas and insights as they occur', 'locking in on a problem definition too soon', 'ruling out alternatives through pre-evaluation', and 'failing to reconsider dismissed alternatives as conditions change' (pp. 251-253).

3.4 Evaluation of Alternatives

Hogwood and Gunn (1984) stated that it is useful to forecast alternative possible futures in order to select the best policy, given different assumptions about the development of both problems and actions, and that the forecasting can be possible because of the theoretical and practical advantages and limitations of the various of techniques 'from modeling to subjective judgment.' Patton and Sawicki (1993) pointed out that the first question of the evaluation before implementation is if the proposed alternatives will work ('the forecasting of policy impacts') and the second question is if it will do so in an efficient, proper, and politically viable way ('the evaluation of those impacts'). According to them, the forecasting methods of policy impacts are divided into three sections:

> 1) 'Extrapolative techniques' are simple and cheap to use and are often more accurate than sophisticated methods. The basic assumption is that a simple extension of what has occurred is a good approximation of what will occur. This assumption is sometimes useful in developing baseline data for the no-action alternative.
> 2) Using 'theoretical models' is another basic method for forecasting the effects of proposed policies. A model is useful in evaluating a policy if it yields information about the consequences of the policy, and if it does this more efficiently than other approaches.
> 3) 'Intuitive prediction techniques' are undoubtedly the most common forecasting method. When time and resources are short, we rely on our own judgment and that of key informants to predict the outcome of a proposed policy (pp. 258-260).

Once the impacts of policy alternatives have been forecasted, we need some basic methods to evaluate those impacts. Patton and Sawicki (1993) mentioned that the evaluation methods of predicted impacts include 'discounting, measuring efficiency, sensitivity analysis, allocation formulas, quick decision analysis, and political analysis' (P. 276). Among them, this paper focuses especially on 'measuring efficiency[3]' and 'political feasibility analysis' which are the representative methods of economic analysis and political analysis.

Regarding 'measure of efficiency', Patton and Sawicki (1993) emphasized the fact that although most policy analysts and planners agree that using the net present value criterion is preferable in most instances to using the internal rate of return or the benefit-cost ratio, the only real disadvantage of the net present value criterion is that it

[3]In measuring efficiency, "three related but significantly different measures are used to weigh alternative proposals: net present value, the benefit-cost ratio, and the internal rate of return. Net present value is the simple sum of discounted benefits and costs. The benefit-cost ratio is simply the ratio of discounted benefits to discounted costs. The internal rate of return is the discount rate at which discounted benefits equal discounted costs" (Patton and Sawicki, 1993, p. 280).

favors large projects. Thus, they stressed that the solution is to use no one measure alone, but to use a variety of criteria for evaluating programs.

Concerning 'political feasibility analysis', Patton and Sawicki (1993) asserted that we need to analyze such information as "the actors involved, their beliefs and motivations, the resources they hold, their effectiveness in using these resources, and the sites at which decision will be made" (p. 303). By using this analysis, we can take advantage of recognizing who are the supporters and opponents for specific policy actions, which policy options will be easier or harder to implement in terms of administrative operability, and how the major political factors are linked to each other and the given policy alternatives (Patton and Sawicki, 1993).

However, as Hogwood and Gunn (1984) declared, we need to consider more various options through objective analysis and be careful not to identify only those alternatives which have supporters within the organization.

3.5 Selection of Alternatives

In the real policy world, it is very difficult to find alternatives that satisfy the criteria important to most of the participant groups. This stage shows ways to distinguish several alternatives so that decision makers can select a preferred alternative from among them. Patton and Sawicki (1993) suggested four actions that analysts should do when they faced with a 'multiple-criteria problem' which has conflict among objectives or among criteria:

> 1) we must recognize that the condition exists and not simply attempt to optimize one object.
> 2) we must consider the various ways in which the attributes might be compared, including the pros and cons of each method.
> 3) we must be aware of whether the decision maker is seeking an ordering of alternatives or a reporting of the pros and cons of each.

4) we should compare the alternatives in a way that illuminates the quantitative and qualitative differences among them (p. 339).

By quoting Stokey and Zeckhauser, Patton and Sawicki (1993) introduced some of the more common ways in which the comparisons of alternatives are made, including 'lexicographic ordering, nondominated-alternative method, and equivalent-alternative method.' First, in 'lexicographic ordering,' alternatives are ranked on each criterion in order of its importance. If some alternatives are evaluated to be in the highest ranking on a specific criterion, then they are compared on the next important criterion until only one alternative is survived. This method assumes that there is 'no interaction effects' when several criteria are considered at the same time.

Second, in the 'nondominated-alternatives method' approach, each alternative is measured on each criterion, and then all alternatives are ranked for how well they are evaluated on each criterion. An alternative which is superior on at least one criterion and no worse on all the rest will survive as a dominant option. Although this method may not identify the optimal option, it can be a helpful approach 'when we are faced with various possible alternatives' and 'when preferences can be ordered but not quantified on an interval scale.'

Finally, 'equivalent-alternative method' enables us to decrease the number of alternatives so that we are able to select predominating alternative by comparing equivalent alternatives. This method can be used when decision makers feel free to make trade-offs between 'the quantifiable criterion and other criteria.' In this sense, if we can use this approach, more than one criterion should be measured in terms of quantity. This method is very useful approach when we need to exclude some other alternatives being considered and decide the most prominent alternative among several equivalent alternatives (Patton and Sawicki, 1993, pp. 341-346).

3.6 Evaluation of Implemented Policies

As Dunn (1981) mentioned, it is very important to evaluate policy actions after they have been implemented because the impacts of policy alternatives cannot be completely known in advance; in this context, although evaluation always does not guarantee better results, we need to consider it as a precious process to get feedback from the real policy problem.

Ripley (1985) emphasized that we need to pursue three major analytical questions with regard to the evaluation of implementation before evaluating impacts: "what actions are taken toward meeting program goals and why?, what effects do those actions have on program results and why?, and what individuals and groups are benefiting at what rate and why?" (p. 25) After evaluating implementation, the evaluation of impact must be an 'interdisciplinary enterprise,' with the proper mix of various approaches according to what is being evaluated (Ripley, 1985).

According to Patton and Sawicki (1993), 'ex-post policy evaluation' examines how effective an alternative is by measuring the all kinds of information produced during 'policy monitoring[4]' on the basis of its goals and evaluation criteria. Through this evaluation, policy makers can determine whether the program should be continued, modified, or terminated in proportion to the extent of its impacts (Patton and Sawicki, 1993). In this context, they introduced four exemplary ex-post evaluation approaches:

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[4]"Policy monitoring is the process of recording changes in key variables after policy or program implementation. Policy monitoring determines whether any changes occurred as a result of the implemented policy" " (Patton and Sawicki, 1995, p368).

1) 'Before-and-after comparisons' involves comparing conditions before a policy or program is implemented and after it has had a chance to make an impact. This method requires that we assume that any differences between before-and-after data are a result of the policy or program.
2) 'Experimental-design approach' uses the concepts of equivalent control and experimental groups, and preprogram and postprogram measurements, and it typically makes comparisons among individuals in randomly selected groups. It has still the 'problems of external validity[5]'; the threats to external validity can be reduced through the use of more advanced experimental designs, but such designs are difficult to move from the laboratory to the field.
3) 'Quasi-experimental designs' are useful for real-world evaluations when a true experiment cannot be conducted. There are two basic designs; the nonequivalent control-group design involves the comparison of a treatment group before and after the policy is implemented, and the interrupted time-series design involves the comparison of a treatment group several times both before and after the policy is implemented.
4) 'Cost-oriented evaluation approaches' such as cost-benefit analysis and cost-effectiveness analysis that are described in the stage of 'determination of evaluation criteria' and 'evaluation of alternatives' can be used in post analysis, but in this case the program must have been in operation long enough to have had an impact, and the program must be able to be measured in quantitative terms (Patton and Sawicki, 1993, pp. 376-386).

With regard to choosing an proper evaluation method, Patton and Sawicki (1993) presented the following 'principles for planning and conducting evaluations' so that they can help the analysts conducting an ex-post evaluation select an evaluation approach which fits the given problem best: "determine the focus of the evaluation, decide what data will be produced, determine what change is being measured, identify what policy action or intervention is being evaluated, design the evaluation so it can respond to program modification, and involve program staff in the evaluation" (pp. 389-392).

[5]"Problems with the design of an experiment that make it inappropriate to generalize results across population, settings, and times are called problems of external validity" (Patton and Sawicki, 1995, p384).

CHAPTER 4:

Review of Korea's housing policies in Terms of Policy Analysis Process

This chapter reviews Korea's housing policy for low-income households in terms of policy analysis process. From the viewpoint of this analysis, we can see that 'Agenda Setting and Problem Definition' and 'Determination of Evaluation Criteria' play the most crucial role in identifying and selecting alternatives.

4.1 Agenda Setting and Problem Definition

As mentioned in Chapter 2, the problems of Korea's housing policies for low-income households can be characterized as a high increase of housing prices, the shortage of public rental housing, and substandard housing. However, the government has considered the problems mainly as the shortage of general housing units over the whole country and housing speculation. The Korean government has not seemed to recognize a great need to make decisions about the housing policy for low-income families. In this sense, Park (1993) stated that the Korean government's housing policy has been focused on 'the middle-income group rather than low-income people,' although low-income households have been the group most suffered from the failure of the housing policies such as housing price stabilization policy.

Especially from the perspective of Patton and Sawicki's (1993) two ways of identifying problems, we can say the Korean government's identification of the problem has taken the 'pragmatic approach' rather than the 'social-criterion approach'. For example, until the mid-1980s, the Korean government did not build 'public rental housing' in a large quantity. On the other hand, as Koh (2004) pointed out, it mainly provided 'for-sale housing' even for low-income households because the Korean government valued much of how to lighten financial burden rather than how to support low-income families' housing demand and it was the least costly way to reduce the disagreement in fiscal and in political terms.

In other words, even though the housing problems are very critical to the poor, their problems had not been politically mature enough to be considered and identified as a 'social problem.' In this context, the government would not try to do its best to solve the conflicts between the classes. Moreover, there had been no tendency to pay special and systematic attention to the housing problems of the low-income group. In short, the way of Korean government's housing problem definition has been 'pragmatic approach' from the perspective that the policy makers would rather have identified the problem mainly within the framework of political acceptability than have recognized and solved social conflicts positively.

4.2 Determination of Evaluation Criteria

Among Patton and Sawicki's (1993) four evaluation criteria such as 'technical feasibility, economic and financial possibility, political viability, and administrative operability,' the Korean government has seemed to adopt 'political viability' as the dominant evaluation criterion of housing policy. The policy outcomes have been measured especially in terms of impact on relevant political power. In this sense, selection of an alternative has depended mainly on its political acceptability among decision makers and some interest groups rather than the maximization of satisfaction by society.

For example, regarding the problem of the sharp rise in housing prices, until the mid-1980s the main emphasis of government's housing policy was put on developing anti-speculation measures rather than expanding housing supply, because those were considered more effective actions in order to relieve the public criticism on housing speculation within a short period of time.

For another example, between 1983 and 1988, the government designed and initiated over 100 redevelopment projects which were supposed to not only improve residential environment but also increase the number of larger sized housing units in substandard housing area. As a result, although 31,603 substandard squatters units were demolished and 44,170 units were constructed during this period, the government's redevelopment policy just increased the number of larger sized housing units and prices of new housing (Park, 1993). In this sense, this program was also for middle or upper income people, who had more political influence, rather than low-income households.

4.3 Identification and Evaluation of Alternatives

The following policy alternatives have been designed and implemented in order to provide many more units of housing for low-income families and solve the housing problems of low-income households in Korea. According to Bardach's (1996) four representative things governments do, those programs can be classified as shown in Table 5.

Table 5. Policy types and Korean housing policies

Tax - private rental housing provision - housing price control (tax measure) - assistance in taxation for purchasing homes	**Regulation** - housing price control(price ceiling) - housing size control - rental charge control
Subsidies and Grants - public rental housing provision - *financial assistance for rent and purchase* - redevelopment and relocation program	**Information**

4.3.1 Rental housing provision

4.3.1.1 Public rental housing provision

Since the mid-1980s in Korea, the direct provision of public rental housing has been one of the main low-income housing policies, which is similar in other countries. Public rental housing is classified into two types. One takes the government's financial assistance, and the other receives subsidies from the National Housing Fund without the government's financial assistance.

According to Park (1993), the active public provision of rental housing is based on the two million housing unit construction program envisaged within the sixth 5 year economic and social development plan (1987-1991). This public provision of rental housing has been stimulated and activated by pressure from the lower income groups for whom the housing problem has become the main source of discontent. In this sense, we can tell that this alternative is also identified in terms of the evaluation criterion of 'political viability.'

Moreover, the government announced the basic plan for the permanent rental housing program in 1989. According to this plan, during the period of 1989-1992, 250 thousand units of permanent public rental housing were to be constructed in large and small cities all over the country for people in the lowest 10 percent income group who are covered by the government's National Livelihood Protection Program (Park, 1993).

Public rental housing has been mainly constructed by Korea National Housing Corporation (KNHC) with the support of the National Housing Funds. KNHC aims at stabilizing people's lives and improving public welfare via housing construction, supply, management, and housing improvement. To compensate for the unprofitability of public rental housing construction, the government provided KNHC with financial and

The reason why the price control system was adopted especially during the period of the mid-1970s to 1980s, even though its negative effects were anticipated, was that it was a time when the government put the first priority in housing policy into price stabilization.

The representative measures that government implemented to fight against housing speculation are tax measures and a price ceiling system. First, tax measures have been often used to discourage speculative demand. Real estate transfer income tax was extensively employed to control the speculative demand for both housing and land, and it had both remedial and preventive purpose.

Second, the government designed housing price controls by which it could force private developers to provide low-income group with low-price housing. Price controls have applied to private houses which were regulated by the 'Housing Construction Promotion Law' (HCPL) since 1977 when high housing prices became a serious social issue. According to HCPL, the Ministry of Construction or municipalities were supposed to review and approve housing development plans, including sale prices, that were going to supply more than 50 houses (Park, 1993).

For example, when the government promoted housing development both to stimulate the economy and to support the Five Million Housing Construction Plan in 1981, the selling prices of new apartments began to rise immediately and very rapidly, especially in Seoul city. The sharp rise in housing prices also raised public criticism of housing developers for their excessive profiteering, thus the Seoul city government set up a price ceiling at the much lower price than market price in order to stabilize housing prices.

4.3.2.2 Direct assistance in finance and taxation

When a low-income family without a home purchases a small home, the government provides various kinds of assistance in finance and taxation. 'The Loan for First-time Home Buyers' is provided to households who purchase new houses for the first time up to 100 thousand dollars for a house of 85m² or less, or 70 percent of the house price at an annual interest rate of 6 percent. Besides, a family without a home is exempted from the acquisition tax and registration tax when buying a house below 40m² and pays only 50 percent of those taxes when buying a house of 40-60m² (Koh, 2004).

The high increase in housing prices has led to big rise in rents since the mid-1980s. During the period of 1985 to 1990, the deposit money for the 'Chonse[6]' type of rental housing doubled on average. In this sense, 'the Loan for Chonse Deposit' is provided to low-income households who do not own homes. According to Koh (2004), a loan of up to 70 percent of the Chonse deposit or 60 thousand dollars is provided at an annual interest rate of 5.5 percent. For the lowest income households, a loan of 70 percent of the Chonse deposit is provided at an annual rate of 3 percent.

Actually, the National Housing Fund had not assisted the Chonse system until 1997, because the government gave its first priority to housing construction, and secondly it was afraid it might increase the deposit money of Chonse if the government supported it. However, after the foreign exchange crisis happened in 1997, it has become more and more necessary to support the system of Chonse for the purpose of stabilizing the Chonse market and reducing the burden of the low-income tenant's residential expenses.

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[6] In Korea, most tenants rent housing with a peculiar form of rent called Chonse. It is a system in which tenants pay 40~70% of housing price as deposit money at the time they make the contract, and they get that money back at the end of the contract. It is different from the monthly rental system (Koh, 2004).

4.3.3 Improvement of housing condition (relocation and redevelopment)

The government initiated squatter clearance and relocation program so that it could enhance low-income families' living conditions in squatter areas as well as develop new land for the construction of houses. Under this program, the government legalized 10,161 squatters' houses and relocated the central city squatters to a new remote area during the period of 1968 to 1973 (Park, 1993).

Moreover, in an effort to improve the housing condition in urban substandard areas, a comprehensive redevelopment program has been active since 1983. The housing redevelopment project generally induces the residents in a designated redevelopment district to make an association with construction companies and the local government in order to build new housing in the area. In the respect that inhabitants are the initiators of the project, this program is different from other residential environment improvement projects. According to Koh (2004), in this project, 378 redevelopment districts were designated, 67,000 housing units were razed in 229 districts, and 119,000 housing units were constructed by 1999.

4.4 Selection of Alternatives

Among Stokey and Zechhaouser's common methods of comparisons such as 'lexicographic ordering,' 'nondominated-alternative method,' and 'equivalent-alternative method,' we can say that the main method of selecting alternatives which the Korean government has used is lexicographic ordering.

Lexicographic ordering is a way of selecting alternatives in which alternatives are evaluated and ranked by several criteria in order of each criterion's importance. As mentioned above, most of policy makers in Korea have seemed to adopt political acceptability as a main criterion in selecting housing policy alternatives, ignoring the nature of low-income families' housing problems. This agreement by participants on the ordering of criteria has made it possible to select housing alternatives focused on political viability rather than considering various criteria comprehensively at the same time. The biggest problem of this method is that only a few alternatives can have an opportunity to be selected if the first criterion has been regarded as almost absolute priority. As a result, it is criticized that lexicographic ordering does not help us measure spontaneously all of alternatives on each criterion and compare equivalent alternatives from the comprehensive perspective.

4.5 Evaluation of Implemented Policies

4.5.1 Rental housing provision

4.5.1.1 Public rental housing provision

Although the public rental housing provision was initiated by the government, the government produced a very small quantity of public rental housing and, to make matters worse, the government did not contribute to increasing the public rental housing stock because of its very short rental period.

First, the public rental housing in Korea is often blamed for its limited and unstable market for low-income families. Compared with long-term social housing in some European countries which accounts for to 20 to 30 percent of total housing stock, the long-term public rental housing in Korea accounts for only 3.4 percent of total housing stock up to 2003 (Koh, 2004). For example, 'Permanent rental housing,' the representative long-term public rental housing, has been built just in the small amount of units up to now, thus the ratio of public rental housing units to whole housing provision was only 1.8 percent in 2003 (Table 3).

Second, KNHC has to run its business on the same principle as that of private business enterprises although it was established as a public agency. Thus, KNHC has sold the housing after a minimum rental period in order to get the invested funds back rapidly, because payment by purchasers accounts for the biggest portion (68 percent) of its financial sources and provision of long-term rental housing imposes heavy financial burden on them even though they have low interest loans from the National Housing Fund (Koh, 2004).

4.5.1.2 Private rental housing provision

Although the private rental housing supply was expanded in 1988 with the help of the government actions, private homebuilders began to avoid rental housing construction after 1989 owing to the unprofitability of rental housing. The rental housing builders were obliged to construct mainly small size housing, but the small housing for low-income households is unprofitable because the government controlled its rental charge and renting period. As a result, the rate of construction growth decreased to –30 percent in 1989, and from 1990 the government suspended financial assistance from the 'National Housing Fund' to the private rental housing providers (Park, 1993).

In addition to the shortage of provision, as Park (1993) stated, the government policy on private rental housing construction is said to have the following problems as yet unsolved. First, private rental housing is not constructed for permanent rent so that it cannot contribute to the stock of rental housing units. Even long-term rental housing can be sold to the tenant only after the renting period of 5 years. Second, the renters of private rental housing are found to have a much higher level of income than renters of public rental housing or other renters. This shows that the government housing policy objectives for low-income households have not been fully attained through the promotion of private rental housing construction.

4.5.2 Alternatives to counter high housing price

4.5.2.1 Housing price control

The main emphasis of government housing policy was put on developing anti-speculation measures rather than establishing the supply system since the housing demand and supply mismatched until very recently. According to Koh (2004), although it was recognized that the price control system did not become an effective method for stabilizing the housing market price, the government has made attempts to use the measure whenever housing price was a social issue. However, actually the system controlled only the sale price and thus indirectly the costs of housing construction, but it had nothing to do with the market price.

Furthermore, it had adverse effect of discouraging housing supply. As Suh (1993) stated, the anti-speculation policy brought about a decrease in new housing supply and periodic vicious circles which caused hikes in housing prices.

The price control system was also criticized for encouraging housing demanders' speculation instead of discouraging housing suppliers' speculation. There was always excess demand for houses under price control because the selling prices of new houses were in most cases far below the market prices. Therefore, the low-price houses were the targets of speculation from the viewpoint of high-income and middle-income groups.

4.5.2.2 Direct assistance in finance and taxation

It is criticized that 'Loans for Home Buyers,' 'exemption from the acquisition and registration tax,' and 'Loans for Chonse' are not accessible to the urban poor in the lowest income bracket. Actual beneficiaries of the loan and tax programs are those who purchase houses and those who rent houses on Chonse basis. However, they are known to be mostly middle or lower-middle income families.

Especially in the case of 'Loans for Chonse,' Chung (2004) evaluated that, in spite of a steady increase in the volume of Chonse deposit loans for low-income households, the volume of loans is insufficient compared to the total volume of the National Housing Fund considering that it makes up only 18 percent of total volume.

Moreover, one of the representative housing loans to assist Chonse is the program for low-income laborers without homes which was executed in 1994. The low-income people with an annual income of less than 30 thousand dollars can be supported with up to a half of the Chonse deposit at a low annual interest. However, the loans under this program have not been expanded to non-labor low-income people until very recently.

4.5.3 Improvement of housing condition (relocation and redevelopment)

It has been evaluated that the relocation program did not contribute to improving the housing situation of low-income people because the newly developed land was mainly used for the construction of large-sized housing. Park (1993) stated that almost all of the benefit from the programs has been reaped by a small number of high-income people. The poor were just relocated from their living area and left in the remote area where they could not find employment opportunities. As a result, the people relocated in the area faced with a high cost of commuting to Seoul where they had jobs as well as a shortage of job opportunities near their new homes.

The redevelopment project and relocation program has not been judged to be successful in achieving its objective. First of all, the redevelopment project is said not to have given positive results either to homeowners or renters of the redeveloped areas. According to Park (1993), the redevelopment project gave high profits to homeowners who could keep their share until the redevelopment was completed. But the homeowners without economic ability were not able to keep their share and had to sell their 'priority ticket for new housing' for lower profits. Moreover, the renters in the redevelopment areas were the lowest-income families who were supposed to be given first priority in the project, but in reality, they have rarely benefited from the project.

CHAPTER 5:

Recommendations to Housing Policy of Korea

On the basis of the review of Korea's housing policy in terms of policy analysis process, the following recommendations can be made to 'housing policy analysis framework of Korea' and 'the directions of future housing policy for low-income families.'

5.1 Recommendations to housing policy analysis framework

As mentioned in the Introduction, the Korean government has distributed housing resources and has controlled private investment according to the government-initiated plans. This is considered to be a typical approach of developing countries. Through these actions, the government has been actively committed to developing comprehensive plans for housing problems of low-income households without a clear theoretical framework.

The government's housing policies before the early-1980s, (e.g., expanding public housing for sale rather than rental housing), had been designed and implemented while ignoring the nature of Korean housing problems because the policy priority was not on the establishment of social welfare but on increasing national wealth. On the other hand, the housing policy after the mid-1980s has focused mainly on gathering the physical volume of national housing stock.

In terms of agenda-setting and evaluation-criteria, which should be emphasized as important factors in housing policy analysis, Korean public housing system has been driven by political control without considering the actual status of housing problems and economic efficiency. Its performance has been dependent upon the balance of power between people in housing needs and the dominant political party that controlled the government. This type of housing policy has been criticized for expanding the gap in housing standards among social classes.

From the viewpoint of the policy analysis framework mentioned above, the following recommendations can be made in order to help Korean government define the future housing policy directions.

1) Regarding the housing policy analysis process, it should be recognized that although a certain alternative is superior on the basis of political or administrative criterion, the solution is not the best alternative if it is economically inefficient or socially inequitable. Therefore, the housing policy analysis process of Korea needs to include a step that integrates political, economic, and social considerations so that the government can identify and deal with the housing problem of multiple criteria appropriately by relating quantitative and qualitative data comprehensively.

2) The Korean government's housing policy needs to select a more market-dependent approach while considering the distinctive nature of housing problems. The Korean government should recognize that a tight market control policy will not work, especially when the demand for housing overwhelmingly exceeds the supply. In the housing situation of Korea, a market-oriented solution seems to be the most efficient way to deal with the high prices of housing caused by excessive housing demand. For example, the increase of housing supply is still more effective than price control as a method of stabilizing housing prices.

3) Moreover, it should be realized that the housing policy at the national level cannot be designed and executed independently from macro economic policies, because the interactions between the two are too great to ignore (Koh, 2004). In this sense, the

housing market needs to be as minimally controlled as possible. However, the housing industry of Korea is still overly regulated by many regulations. For instance, such regulations as price control, housing size control, and rental charge control have the negative effects of declining housing industry and decreasing private rental housing provision. Therefore, these regulations should be streamlined or eliminated according to their relevance in order to promote the housing industry, and the housing policies need to be implemented indirectly by means of taxation and financing rather than direct regulations.

4) The government should fully take account of regional and household characteristics in assistance criteria so that benefits from various housing policies can be distributed equally. For instance, policy for the provision of public rental housing has been faced with some problems, including short-term rental periods and shortage of long-term public units. These problems were evaluated to be the inevitable results of the policy that failed to carefully target household groups. From the welfare perspective of low-income families, public housing policy should aim to reach specific group clearly, (e.g., the bottom 30 percent of total households), as a target group.

5) Finally, in addition to general low-income households, the government has to enlarge the assistance for other people having difficulties participating in the housing market such as the elderly or the disabled families who do not reach the lowest standard of living. As the ratio of housing units per household has increased to 100.6 in 2002 and housing demand is changing in quality as well as quantity, it is time to focus more on meeting various housing demands of the lowest social stratum rather than just expanding the number of national housing units in the whole country. For example, the government

needs to reestablish a minimum standard for housing for low-income families in order to be more suitable to the present housing situation.

5.2 Recommendations to the alternatives of housing policy for the poor

5.2.1 Public rental housing provision

From the perspective of the number of housing units in whole country, the government solved the quantitative shortage of housing to some degree by raising the rate of housing stock to households up to 100 percent in 2002. However, as mentioned above, the provision of 'public rental housing' for low-income households has been still criticized for the shortage of supply, short-term rental period, and inconsistent implementation. Actually, since the permanent rental housing project was finished in 1992, other long-term rental housing projects with the government's direct financial assistance have not been executed up to now. Therefore, the government needs to recognize that it is necessary to provide sustained financial support for rental housing projects and to initiate a comprehensive plan of long-term rental housing construction.

On the other hand, KNHC often has to build public rental housing throughout the country according to political and regional needs rather than effective housing demand. Besides, the rent of public rental housing used to be determined not by recipient households' affordability but by construction cost. In this context, the government should also notice that it is undesirable that any new drastic measure to expand the public rental housing stock is designed and implemented within a short period of time without due consideration of recipient households' demand and their economic ability as well as government's financial affordability.

5.2.2 Private rental housing provision

As mentioned above, the policy of private rental housing has faced the problems such as unprofitability caused by regulation, the short renting period, and inappropriate management. There is definite limitation in private rental housing policy for low-income people in that those problems of the program cannot be solved just by such actions as tax incentives and credit allocation. Basically, the rental housing market for the low-income group cannot be operated on the principle of the market economy.

Therefore, the government needs to choose the policy line that the public sector would take the major role in providing rental housing for low-income people, leaving the provision of rental housing for middle-income to the private sector. Furthermore, if there arises any need for government intervention in the private housing industry, it should be realized that the housing market ought to be minimally controlled. It must be done by indirect means of taxation and financing, not by direct regulations, in order not to negatively affect the whole housing market.

5.2.3 Price control

A high increase in housing process aggravates the housing problem of low-income families and it forces poor tenants to move more frequently. Moreover, the high cost of land makes it much harder for the government to supply public rental housing. In this sense, if the public and private rental housing policies are to be successful, housing price stabilization must be maintained. In order to stabilize housing prices and prevent housing speculation, the government needs to eliminate excessive profits occurring from the investment in housing.

However, we have to recognize that tight market control policy would not work when the demand for housing exceeds the supply considerably. Moreover, with price control, there is no incentive for the housing providers to improve the quality of housing, because they do not need to compete with each other. Therefore, the government should notice that, in order to stabilize housing prices and obtain the desired results in current housing situation, expanding housing supply to the extent that the supply meets a demand is more effective than developing anti-speculation policies.

5.2.4 Direct financial assistance

As mentioned earlier, although the government has steadily increased the volume of Chonse deposit loans for low-income households, the loans accounts for less than 20 percent of the total volume of the National Housing Fund. In order to reduce the low-income tenant's residential expenses which are getting greater, the government needs to sharply increase the amount of 'Loans for Chonse' in the National Housing Fund.

In addition, low-income people in urban areas have not been able to have positive access to the direct financial assistance. The needy households whose income is below the minimum living cost were not provided with any housing benefit until 2000, the year that the 'Act of National Fundamental Life Security' was executed. However, even the current level of assistance does not guarantee minimum housing costs nor consider specific household needs. Therefore, it is necessary for the government to increase both 'the number of beneficiaries' and 'the volume of assistance' of this program up to a level equivalent to that of 'Loans for Home Buyers.'

5.2.5 Improvement of housing condition (relocation and redevelopment)

The redevelopment program usually has taken the form of high-rise apartment housing which is larger than the average space per households and thus, contrary to its original purpose, it has been evaluated to be more suitable to middle or upper income people rather than low-income households. Therefore, the government should increase the portion of small-sized units for low-income people in whole redeveloped housing.

The government has to recognize that upgrading of substandard areas should preserve low-cost housing systems in locations which would enable the poor to retain employment opportunities. From this viewpoint, 'redevelopment programs' are more recommendable than the 'relocation program' which does not consider employment issue properly. As an alternative for the relocation program, the government needs to identify a new measure to expand public facilities and improve the quality of residential environment where the infrastructure is very poor, without having to relocate squatters. In this sense, the government needs to provide financial support for such project through the National Housing Fund so that low-income households, without losing their job opportunities, can receive benefits from the improved infrastructure such as roads, schools, and clinics in the deteriorated areas.

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