

Geographical Features of Social Polarization in Seoul, South Korea

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In recent years, Korean society has obviously trended toward polarization since the 1997 financial crisis. Mass-unemployment, decrease of real income and accumulation of income inequality by the financial crisis and the following economic reform has caused the economic base of the middle class to collapse. At present, such a collapse of the middle class results in the rapid growth of social polarization in Korea. Particularly, the social polarization and the spatial phenomena related to it appear more definitely in Seoul, which is the largest metropolis as the capital city.

In this context, this study focuses on how social polarization is related to spatial polarization. It could be said, that social polarization consists of not just occupation or income related matters but is made up of more comprehensive matters, including lifestyle, recognition and attitude of regional difference, public service and investment, educational environment and so on. This paper is broadly divided into two sections. The first section depicts the general economic situation after the financial crisis in South Korea. Second, spatial characteristics of social polarization in Seoul are examined.

I. Social Polarization and the 1997 Economic Crisis in South Korea

1. Deepening income disparity and social polarization

The Korean economy experienced the worst crisis due to the shortage of foreign currency at the end of 1997. The Economic growth rate recorded -5.8% in 1998 with the rapid contraction of domestic demand. The Minus record of economic growth rate is the first one after 1980. In particular, the decreasing rate is the largest amount since the 1960s, when the Korean economy entered a period of high growth due to rapid industrialization. Thus, mass-unemployment occurred and household income decreased significantly. Real income in 1998 diminished by -3.2%, compared to the previous year. Now, the Korean economy is almost completely recovered from the crisis. Real income also is recovered to nearly the level before the crisis. Korea's GDP per capita recovered to \$9,770 in 2000.

However, despite such economic recovery, the disparity of real income between social classes has expanded more and more. The serious economic crisis led to the decrease of income and the reduction of consumption, but the effect of the economic crisis is uneven by social class and it concentrates on a specific class. Almost all income groups experienced a decrease in income

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during the economic crisis. However, the lower the income level is, the more the income decreases.

Moreover, as Table 1 shows, while the bottom 80% of the income group experienced a decline in income, the income of the top 20% increased during the same period. Accordingly, the income share rate of the top 20% increased. On the contrary the income share rate of the bottom 80% went sharply down (see Table 2). It is especially noted that the income share rate of the middle class declined more than the lower class. In particular, it is said that the weight of middle and low strata among the middle class was significantly reduced.

Table 1. Income Variation Index by Income Group (the year of 1996 = 100)

Income group	1997	1998	1999	Change		
				1996-1997	1997-1998	1998-1999
Top 20%	120.9	127.7	132.4	20.9	5.6	3.7
20 ~ 40%	126.6	122.4	120.8	26.6	-3.3	-1.3
40 ~ 60%	104.5	100.8	98.4	4.5	-3.6	-2.3
60 ~ 80%	90.1	84.3	81.3	-9.9	-6.4	-3.6
Bottom 20%	91.8	82.3	75.4	-8.2	-10.3	-8.4

Source: Hong, S. M. and Min, J. H., 1999, *Shrinkage and Rebuilding of Middle Class in the Age of IMF*,

Table 2. Income Share Rate by Class

	1991 ~ 1997(%)	1999 ~ 2001(%)	variation(%)
High class(top 20%)	37.6	40.2	2.6
Middle class(medium 60%)	53.9	52.3	-1.6
Low class(bottom 20%)	8.4	7.5	-0.9

Source: Song, T. J., 2002, Growing gap between income and consumption for the middle class, *Weekly Economy*, 676, 6. (<http://www.lgeri.com/project/lgeri003/view001>)

It can be seen through the trend of consumption that Korean society has been seriously polarized since the 1997 financial crisis. First of all, consumption of luxury goods is rising. This means that the shift of wealth is reflected in the consumption pattern. Even during the year 1998 in the deepest swamp of the financial crisis, the spending by the lowest 20 percentile group declined by 9.8%, while for the top 20 percentile group the rate of decline was far less with only 0.6%. Thus, consumption spent by the top 20 percentile group increased greatly as soon as the Korean economy began to recover from the financial crisis. The growth of consumption of luxury goods such as golf instruments, furs, jewelry, etc. has been especially, remarkable. For instance, spending on golf instruments in 1999 increased by 357.6% over last year (Oh, 1999).

2. Is the solidification of social polarization temporary or not?

As a result, recent statistics inform us that wealth is concentrating on a specific class and poverty is generalizing with the contraction of the middle class in South Korea. There are two

approaches to such recent expansion of social polarization. One is that it is due to the financial crisis, and then it is temporary (Sohn, 1999). The other is that it is caused by structural factors, and then it is not temporary, on the contrary it would deepen in the future. In fact, it is not easy to predict the future situation precisely. However, it is a fact that the middle class had already contracted with the change of industrial structure from the early 1990s.

In the early 1990s, the Korean economy faced a serious crisis in the process of globalization due to the limit of domestic technology and the over-dependence on foreign technology (Kang, 1993). The Korean government and the capital pushed industrial restructuring in order to overcome it, and the industrial restructuring of the 1990s centered around technological innovation. The Korean economy has thereby gradually been transformed into a flexible accumulation system. However, on the other hand, this industrial restructuring brought about an increase in unemployment and unstable part-time jobs. As a result, income distribution has continuously deteriorated since the early 1990s. Accordingly the contraction of the middle class and social polarization had already progressed from the middle 1990s at least.

Industrial restructuring toward a flexible accumulation system and globalization accelerated after the 1997 financial crisis. Thus, the 1997 financial crisis can be viewed as an immediate cause of social polarization in South Korea. That is partly true. However, strictly speaking, social polarization after the 1997 crisis occurred as an extension of social polarization, which started in the early 1990s. The 1997 financial crisis was only a trigger for strengthening the trend of social polarization. In this context, the recent social polarization in South Korea is a structural matter, which results from increasing flexibility of capital and globalization of the accumulation system. Social polarization in Seoul, which is a global city of South Korea, can be also explained in the same way.

3. Occupation is not a unique cause of social polarization

So far social polarization has mainly been approached in relation to occupational structure. Its basic logic is that occupational distribution among the population results in income inequality, and income inequality results in social polarization. There is an approach that social polarization is seen as a process bound up with the emergence of the so-called global city (Baun, 1997; Doring, *et al.*, 1996). That is to say, the occupational structure of major growth industries in global cities has created and contributed to the growth of a high-income stratum and a low-income stratum of workers. Ultimately, 'global city' arguments focus on polarization within occupational hierarchy. Hamnett (1994a, 1994b) criticized this 'global city' thesis, but his argument for 'professionalisation' is also related to occupational structure.

Recent social polarization in South Korea is certainly connected with occupational structure including unemployment. Employment is separated into a small number of high-income professional jobs and a large number of low-income jobs by flexible strategies of capital, and there is a significant increase in long-term unemployment and part-time jobs in the process of economic reform.

However, there is a limit to explaining social polarization in South Korea with only 'the global city' thesis or occupational structure. Polarization of occupation is one of the causes for income inequality. But asset inequality should be considered more problematic in Korean society,

because it is a major culprit in the deepening of income inequality. Inequality in asset ownership invites a vicious cycle between the rich and the poor. According to a report by Lee (2000), the Gini coefficient of wage income recorded an average of 0.286 after the currency crisis, while the Gini coefficient of asset income was a high 0.535 on average (see Table 3).

That is, inequality in wage income is lower than that in total income. In contrast, the degree of asset income inequality is much higher than that in total income. In addition, considering the fact that urban workers do not possess much, even if the Korean economy has more or less an equalized wage income distribution, it is difficult to completely solve the income inequality.

In particular, the inequality is the highest in real estate property such as land, buildings and homes. That inequality in land ownership is estimated using the 1998 land tax data. The Gini coefficient is 0.875, which is close to perfect inequality. The top 1% of the Korean population owns 41% of the land and the top 8.5% of the population owns 76% of the total land in the country. On the contrary, 54.5% of the adult population does not own land at all.

Table 3. The Gini Coefficient of income

	1997	1999
Wage income	0.283	0.286
Asset income	0.507	0.535

Source: Lee, S, W., 2000, *Asset Distribution & Rise in Income Inequality*, LG Economic Research Institute.
(<http://english.lgeri.co.kr/project/lgeri003.nsf/economy/>)

II. Spatial Processes of Social Polarization in Seoul

1. Impacts of the 1997 economic crisis on Seoul

Seoul is the capital and the largest metropolis in South Korea (see Figure 1). Though the geographical area of Seoul covers only 0.6% of South Korea, Seoul contains about a quarter of its population. Seoul is a true hub of the national economy, playing a key role in the free flow of national resources and capital. This is attested to by the fact that Seoul accounts for 48.3% of the nation's bank deposits and 50% of bank loans. Naturally, the vast majority of head and branch offices of banks, stock, and insurance companies are all concentrated in Seoul.

Seoul's economy was seriously damaged by the 1997 economic crisis. The employment in Seoul continued to decline throughout 1998. The largest decrease in employment occurred in the manufacturing sector. However, Seoul's economy quickly recovered from the crisis, relative to other metropolises in South Korea. Not only does Seoul have a stronger economic basis than other regions, but also since the early 1990s its economy was already restructured toward a flexible accumulation system, which centers around high-tech industry and production service industry such as FIRE. At the same time, globalization of economic activities has rapidly appeared in Seoul (Kang, 1993; Kwon, 1993).

However, Seoul is a metropolis where the gap between the rich and the poor is the largest in Korea. Because a number of unemployed people, such as immigrants from the countryside and

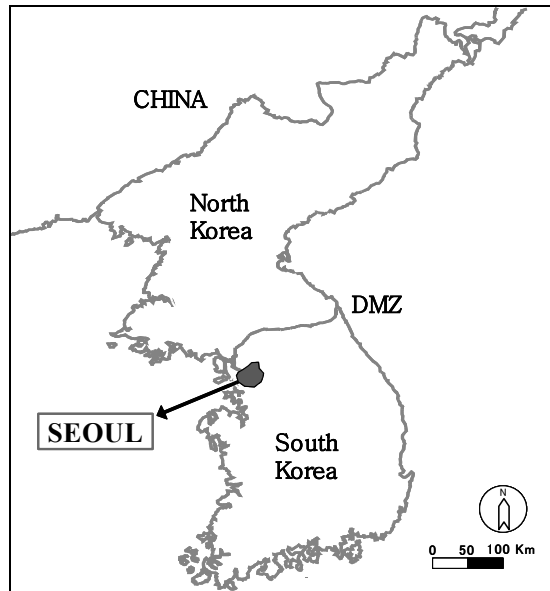


Figure 1. Study Area: Seoul

other cities, pour into Seoul in order to obtain better opportunities or jobs, there are more people of the under or lower class in Seoul than in any other city in South Korea. It is natural that social polarization is conspicuous in Seoul. The 1997 economic crisis made this characteristic of Seoul more prominent. Foreign direct investment has concentrated on Seoul and IT industries such as computer software and Internet businesses have developed rapidly. As a result, Seoul's economy has become more globalized and its industrial structure has become more flexible.

Table 4. Distribution of Employment by Occupation in Seoul

(Unit: thousand)

	2000	2001
Representative, high executive and official	154	177
Professional	416	462
Semi-professional and technician	735	683
Office employee	627	642
Worker in services	639	622
Worker in whole sale and retail	626	632
Worker in agriculture, forestry and fishing	9	7
Assembly worker and machine operation worker	690	677
Skilled laborer	278	282
Non-skilled laborer	384	403
Total	4,559	4,587

Source: KNSO, Seoul Local Office, 2001, *Principal Statistics in Seoul*.
<http://www.nso.go.kr:7001/local/seoul/stat/stat3-5.cfm>

However, as mentioned above, social polarization in Seoul can not be sufficiently explained by industrial restructuring and/or globalization. Alone in the society whose real estate market is abnormal like South Korea, capital gain from real asset is more effective in raising income inequality. Capital gain of several billion dollars a year is only produced from the market for new apartment sales. Seoul has the biggest such market for new apartment sales. It does not mean that industrial restructuring or globalization is not important. It simply means that social polarization can not be properly explained without understanding asset income inequality.

2. Residential differentiation by social stratum

Spatial processes of social polarization primarily depend on residential differentiation. Residential differentiation in Seoul is based on the changes of urban character and occupational structure, and functional differentiation of space in response to those changes. Functional configuration of space in Seoul broadly has four types (see Figure 2).

The first type is a new industrial district such as Gangnam-gu and Seocho-gu, in which high-tech industries, production services etc. are concentrated. Seocho-gu, Gangnam-gu and Songpa-gu are developed according to plan (Surh, J. H., et al., 1992), and the high-income class is also concentrated in these areas. Seocho-gu, Gangnam-gu and Songpa-gu are the areas most segregated by professional, administrative and managerial workers (Han, 1989; Lee, 1997).

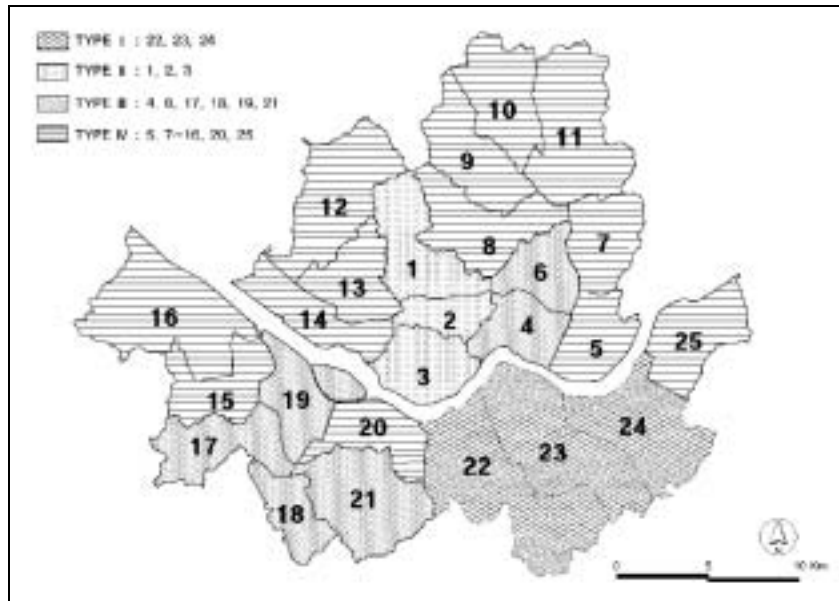
This area, the so-called GANGNAM is recognized as the residential spaces of the rich in Seoul (Kim, 2000). The second type are old center in Seoul such as Jongno-gu, Jung-gu and Yongsan-gu. The number of residents in these areas is decreasing. The third type are traditional centers of manufacturing. Areas adjacent to the productive space of the third type became the residential space for the low-income class.

The fourth type is the typical residential area that developed a relatively long time ago and it includes the north districts of the Han river and some south districts of the Han river.

Real estate prices are practically one of the most important factors, which raise this residential differentiation. Prices of land and apartments in GANGNAM are much higher than in other areas. On average, the former is about 1.5 times larger than the latter (see Table 5 and Figure 3). Such high prices create a barrier preventing the low-income class from approaching these areas. The barrier results in a sort of spatial monopoly that transfers social polarization to spatial polarization. However, it is not just because of the cost of dwelling. High prices of real estate can also bring more capital gain from it. This is one of the important reasons why the high-income class is concentrated in GANGNAM.

3. Unfair urban structure of Seoul

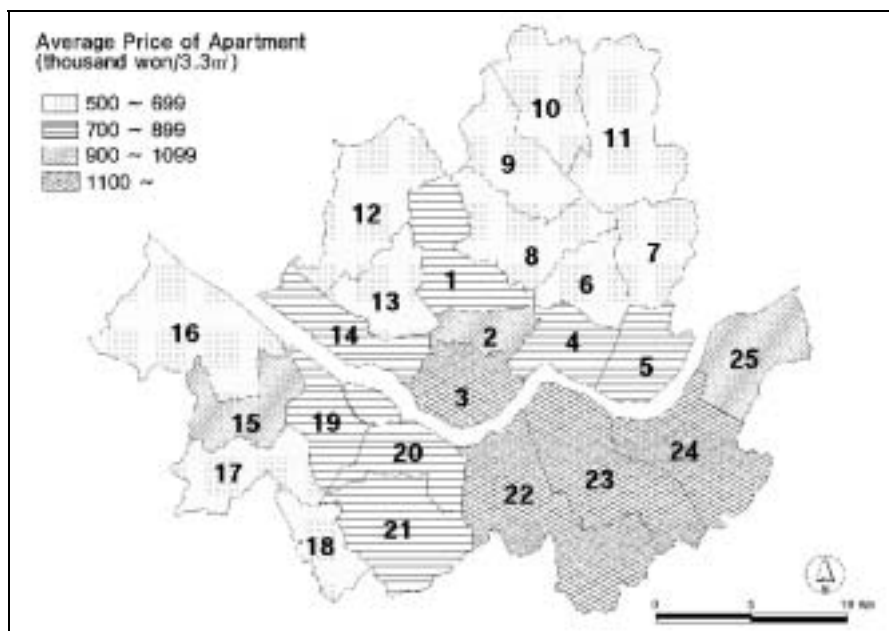
An unfair urban structure of Seoul also contributes to the transfer of social polarization to the present spatial polarization. In fact, public investment into GANGNAM, the most segregated areas for the high-income class, is larger than that of any other area in Seoul. The construction of the subway is a typical example. The early construction of the subway was concentrated in GANGNAM. During the first stage of construction all lines of the subway were designed to pass through the area of GANGNAM. As a result, there were about 30% stations in total in the number 2 line and number 3 line from 1978 to 1994. In the beginning stage of spatial



Note: Names of 25 Gus in Seoul

1. Jongno, 2. Jung, 3. Yongsan, 4. Seongdong, 5. Gwangjin, 6. Dongdaemun, 7. Jungnang, 8. Seongbuk, 9. Gangbuk, 10. Dobong, 11. Nowon, 12. Eunpyeong, 13. Seodaemun, 14. Mapo, 15. Yangcheon, 16. Gangseo, 17. Guro, 18. Geumcheon, 19. Yeongdeungpo, 20. Dongjak, 21. Gwanak, 22. Seocho, 23. Gangnam, 24. Songpa, 25. Gangdong

Figure 2. Types of Functional Configuration of Space in Seoul



Source: Internal Data of REAL ESTATE 114 INC.

Figure 3. Average Price of Apartments in Seoul (2002)

Table 5. The Level of Land Prices by District in Seoul*(Unit: thousand won/ m²)*

	1998	2002
Seoul	870	900
Jongno	920	940
Jung	1,100	1,150
Yongsan	970	1,010
Seongdong	900	900
Gwangjin	980	1,020
Dondaemoon	950	980
Jungnang	830	840
Seongbuk	860	900
Gangbuk	780	820
Dobong	850	870
Nowon	800	850
Eunpyeong	770	810
Seodaemoon	830	860
Mapo	920	1,000
Yangcheon	820	830
Gangseo	780	790
Guro	840	830
Geumcheon	900	910
Yeongdeungpo	870	890
Dongjak	790	820
Gwanak	880	810
Seocho	1,230	1,300
Gangnam	1,450	1,550
Songpa	930	990
Gangdong	940	970

Source: Korean Association of Property Appraisal, Land Prices Database.

<http://member.kapanet.co.kr/index.asp>

polarization, this construction of the subway was an important inductive factor which brought about the concentration of the high and middle class in GANGNAM through improvement of the residential environment.

In this context, first of all, the educational environment is the most important factor of spatial polarization in response to social polarization. It is a very important matter for most Korean people who have a strong desire for better education. The so-called 8th school district, which includes Gangnam-gu and Seocho-gu, is broadly known as a primary school district in Seoul, because the Seoul metropolis government purposely transferred elite high schools from the north area of the Han river to GANGNAM.

Inequality in public and private investment over culture and performance facilities can be also an example of unfair urban structure that brought about spatial polarization. There are a variety of cultural and performance facilities such as movie theaters, museums, galleries, multi-performance halls, etc. in Gangnam-gu and Seocho-gu.

III. Concluding Comments

Polarization of Korean society has become more conspicuous since the 1997 economic crisis. Since the early 1990s, social polarization already emerged as an important research issue with globalization and the global city in the western advanced capitalist societies. Because social polarization has been recognized as a phenomenon connected with strategies for flexibility and globalization of capital in the process that fordist accumulation system, which faced a limit after the 1980s, rapidly transformed into post-Fordism.

In this context, the polarization of Korean society can also be seen as a result of industrial restructuring for global competition and globalization because socially polarized phenomena have appeared along with rapid globalization since the 1997 economic crisis. High-income professional employment in virtue of a knowledge-based economy has been increasing while the middle class was widely brought to ruin, and unemployment passed into a chronic state with the increase in part time jobs.

Seoul is typical of social polarization in South Korea, because it is globalized more than any other city in South Korea and has many professional knowledge-based industries. However, there are aspects that are difficult to explain only with the change of occupational structure and the inequality of wage income. In the Korean situation, the inequality of asset income, especially real estate, should be catch up considered. This matter is more important for the a spatial polarization in response to social polarization. High real estate prices reproduce not only disparity of asset income on a regressive scale, but also create a spatial entrance barrier against middle and lower classes.

In addition, the educational environment and the public investment in transportation and culture & welfare facilities are notable in the practical spatial processes of social polarization in Seoul. High real estate prices, an uneven educational environment, and unfair public investment are closely correlated with each other, and the integration among them is more of a determinant in the process of socio-spatial polarization at least in Seoul, South Korea.

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