

## A Study on Development Trend and Commercialization of Elderly-friendly Paid Welfare Houses for Seniors

Min-Seok Baik<sup>1</sup> and Jae-Hwan Kim<sup>2\*</sup>

<sup>1</sup>27136 Dept. of Real Estate Studies, Semyung Univ, 65 Semyung-ro,  
Chungbuk, Korea

<sup>2\*</sup>32439 Faculty of Regional Development, Kongju Nat'l Univ, 54 Daehak-ro, Yesan,  
Chungnam, Korea

<sup>1</sup>db29438@semyung.ac.kr, <sup>2\*</sup>jaehwan@kongju.ac.kr

### Abstract

*This research conducted in-depth analysis on the state, directions of change and strategy for commercialization of paid welfare houses for seniors, one of the housing facilities for elderly people in response to acceleration of aging society, to provide implications from the viewpoints of demanders and suppliers.*

*First, the study analyzed physical and locational characteristics and move types by classifying 25 paid welfare houses for seniors according to 3 different 5-year periods based on year of completion. As a result, physical and locational characteristics showed that they have changed to high-rise complex buildings of urban and suburban types. Move types have become fragmented according to potential demanders' economic power and physical condition. As more and more general housing products are taking guaranteed monthly rent rather than lease recently, more paid welfare houses for seniors are also expected to get expensive guaranteed maintenance fees instead of lump sum payment. The study is expected to be useful for demanders of paid welfare houses for seniors.*

**Keywords:** Aging society, Paid welfare houses for seniors, Long-term care insurance for seniors, Silvertown development trend

### 1. Introduction

With increase in the national income, quality of life and medical technology have further developed and average life span of Koreans has been prolonged. When it comes to rise of population, the low birth rate has been leading rapidly aging population. According to Statistics on the Aged (2013) by Statistics Korea, the aging society rate of South Korea recorded 7.2% as of 2000, putting the country on the list of aging societies; it is expected to reach 15.7% by 2020 when baby boomers will start to retire in earnest, which would make South Korea an aged society (KB 2011). Due to such complicated factors, demand for houses targeted for the aged is prospected to rise. Also, increase of the number of seniors living alone and breakdown of traditional family system resulted from separation, divorce, bereavement, etc. during the development process of aging society have led to rise in the number of senior households. Therefore, the importance of senior housing has become ever significant. On the other hand, according to the current status of senior welfare facilities announced by Ministry of Health and Welfare (2014), among residential welfare facilities for the aged in South

---

#### Article history:

Received (January 06, 2017), Review Result (March 14, 2017), Accepted (April 21, 2017)

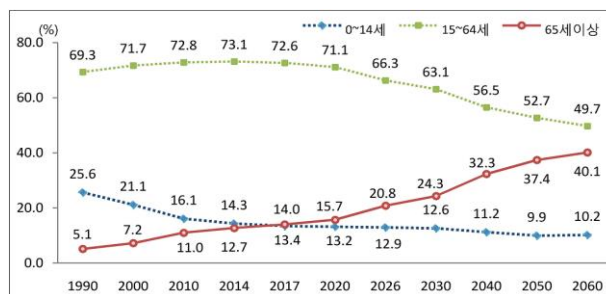
Korea, the number of paid welfare houses for seniors was only 25 across the nation; which reveals that the number of facilities is relatively lower compared to the quantitative level of elderly population, and limitations of legal and institutional support have disturbed reliable supply of paid welfare houses for seniors by private investment. This is considered to be resulted from the insufficient scale of Korean market for the silver industry due to acceleration of aging society as well as Korean widespread culture of supporting and living with parents. Taking an example from a neighboring country, Japan, it is suggested that various silver industries including silver housing would expand phenomenally, if aging society rate reaches 17-18%.

The purpose of this research is to provide suppliers and potential demanders with useful information by analyzing development trends of paid welfare houses for seniors operated in South Korea. For suppliers of paid welfare houses for seniors, the study aims to present practical guideline for commercialization through in-depth research results on initially developed physical facilities as well as changes in service, move type and residents' preference.

## 2. Theoretical background

### 2.1. Aging society of South Korea

"Framework Act on Low Birth-Aging Society" of South Korea, which regulates basic directions of policies for low birth rate and aged society and the establishment and operational system, defines "aging society" as a phenomenon where the proportion of senior population increases in the entire population. That is, in the lifetime process, the rate of economically inactive and retired population (aged over 65) is becoming relatively higher than that of child population (age 0-14), economically active population - core working class (age 15-54) – and senior working class (age 55-64). Based on the standard of aging society by UN, if a society's rate of senior population aged over 65 is higher than 7%, it is an "aging society"; if the rate surpasses 14%, it is an "aged society"; and if over 20%, it is a "super-aged society." In 2000, South Korea entered aging society with the rate of 7.2%, and is expected to become an aged society in 2018 with continuous annual increase in elderly population and the semi-aged including baby boomers. This is faster than Japan that became an aging society about 30 years earlier, and South Korea is expected to enter super-aged society at an unprecedented rapid speed in the world (Statistics Korea, 2006).



Source: Statistics Korea, 2014, statistics on the aged

Figure 1. Changes in Korean population by age

Meanwhile, the rate of elderly household aged over 65 in 2014 recorded 20.1% out of the all households, increasing annually; also, the rate of single elderly household increased significantly to 7.1% in 2014 due to changes in household structure caused by divorce, bereavement, single or nuclearization of family compared to 3.7% in 2000. On the other hand, 2-generation households where a couple and children live together rose slightly from 1.3% in 2000 to 1.8% in 2014.

## 2.2. Paid welfare houses for seniors (Silvertown)

Paid welfare houses for seniors in South Korea are one of sub-facilities for residential welfare of the aged; they aim to provide convenience required for daily life such as housing, life guidance, consultation and safety management by renting rooms to seniors. The advanced type of service product considers residents as consumers and has even contractual relationship with them [1].

Table 1. Types of residential welfare facilities for the aged in South Korea

	Facility	Purpose	Target residents
Residential welfare facilities for the aged	Nursing home	- To provide the elderly with daily convenience such as meals	- Men and women over 65 who do not get proper support from their obligated supporter (Over 60 for paid facilities)
	Senior congregate housing	- To provide the elderly with home-like daily convenience such as meals	
	Paid welfare houses for seniors	- To provide the elderly with daily necessities and convenience such as life guidance, consultation, etc. by selling or renting housing facility	- Men and women over 60 who can live independently (Spouse younger than 60 and children or grandchildren less than 19 whom they are responsible for support)

The current paid welfare houses for seniors can be divided into urban type, suburban type and rural type according to location types. As for characteristics of paid welfare houses for seniors by location, urban-type senior houses are located in the city and have strengths that residents can take advantage of various features of the city such as existing public, commercial and medical facilities.

Table 2. Characteristics of paid welfare houses for seniors' location type

	Urban type	Suburban type	Rural type
Location	<ul style="list-style-type: none"> <li>- Located in big city</li> <li>- Close to medical and commercial facilities: accessible with public transport</li> </ul>	<ul style="list-style-type: none"> <li>- Located near city</li> <li>- Possible to travel to the city for social activities</li> </ul>	<ul style="list-style-type: none"> <li>- Located in areas with rich natural and tourism resources for health and recuperation</li> </ul>
Transportation	<ul style="list-style-type: none"> <li>- Connected with public transport in the city: easy accessibility</li> </ul>	<ul style="list-style-type: none"> <li>- Within 1.5 hours from the city</li> <li>- Easy access to expressway and highway</li> </ul>	<ul style="list-style-type: none"> <li>- Close to small and mid cities</li> <li>- Connected to highway and local road</li> </ul>
Advantages	<ul style="list-style-type: none"> <li>- Easy to exchange with family</li> <li>- Surrounding convenient facilities: high opportunity of using urban functions</li> </ul>	<ul style="list-style-type: none"> <li>- Relatively affordable price of land: possible to secure large area</li> <li>- Easy access to downtown</li> <li>- Possible to use cultural benefits in the city</li> </ul>	<ul style="list-style-type: none"> <li>- Neighboring natural environment: good for physical and emotional health</li> </ul>
Disadvantages	<ul style="list-style-type: none"> <li>- Hard to secure site due to expensive land</li> <li>- High cost of residency</li> <li>- Harmful urban environment</li> </ul>	<ul style="list-style-type: none"> <li>- Limited due to green belt, etc.</li> <li>- Potential of land value and expenses due to urban sprawl</li> </ul>	<ul style="list-style-type: none"> <li>- Isolated, far away from the city</li> <li>- Expensive development costs compared to low land price</li> </ul>

Source: Song Na-Yoon, A study on Urban-type Smart Silvertown Design for Active Seniors, Master's thesis, Hanyang University, 2011

Paid welfare houses for seniors can also be classified according to the business type, i.e. payment by facility use: whole life type (whole-life residence type and deposit type), rent type, sale type and membership type. With whole-life residence type, residents pay in a lump sum when they enter the house to acquire whole-life right to use exclusive and common areas; it is impossible to transfer or inherit the right to others. Meanwhile, deposit type is making payment in the form of deposit or life annuity; residents deposit payment and pay the rest with pension, dividend and insurance benefits. Those who choose rent type pay deposit when they enter the facility, make contract in the form of rent, and pay monthly costs of living. With sale type, residents get ownership of exclusive parts of the building and make contracts for extra service. In South Korea, rent type and sale type are the most common. Membership type, on the other hand, is covering the total investment with membership costs, and the prices are set in the same way to whole-life residence type [2].

### 3. Analysis on development trend of elderly-friendly paid welfare houses for seniors and commercialization strategy

#### 3.1. The status of paid welfare houses for seniors in south Korea

According to '2014 the Current Status of Senior Welfare Facilities' by Ministry of Health and Welfare, there are a total of 25 paid welfare houses for seniors across the country as of December 2013: 10 in Seoul, 2 in Busan, 1 Incheon, 7 om Gyeonggi-do, 1 in Gangwon-do 1, 3 in Jeollabuk-do, and 1 in Gyeongsangbuk-do. As for the size of housing facilities by region, Seoul can accommodate 1,902 people, Busan 273, Incheon 167, Gyeonggi-do 1,575,

Gangwon-do 1, Jeollabuk-do 743 and Gyeongsangbuk-do 100; the capacity of accommodation was highest in Seoul, followed by Gyeonggi-do and Jeollabuk-do. In general, paid welfare houses for seniors were concentrated downtown or near cities such as Seoul, Gyeonggi-do and Incheon.

Table 3. The current status of residential welfare facilities for the aged in South Korea

Type	Facility	Dec, 2013	
		Number of facilities	Capacity
residential welfare facilities for the aged	Nursing home	410	13,831
	Senior congregate housing		
	<b>Welfare housing for senior</b>	<b>25</b>	<b>4,761</b>
	Total	435	18,592

Source: 2014, the current status of senior welfare facilities. Ministry of Health and Welfare

### 3.2. Development trends of paid welfare houses for seniors in south Korea

Looking into the development trends of paid welfare houses for seniors in South Korea by period, those established from 1999 to 2004 employed deposit type (5 houses) and mixed type (1); most facilities had deposit type. Paid welfare houses for seniors started between 2005 and 2009 had lump sum payment type (1), deposit type (5) and mixed type (4); most of them adopted deposit type like those founded from 1999 to 2004. As for facilities opened from 2010 to 2013, 2 houses had lump sum payment type and 1 had deposit type; lump sum payment type of facilities dominated contrary to those established before 2010. This analysis result shows that operators of paid welfare houses for seniors prefer deposit type, as it is difficult to manage the facilities and rent or sell vacancies easily unlike general facilities; this is because the houses are regulated as facilities for seniors and children under the Elderly Welfare Law and the eligibility is legally limited to elderly over 60.

## 4. Conclusion

### 4.1. Summary and implications of the research

This research investigated the current status and changes of paid welfare houses for seniors, one form of housing facilities for elderly people due to accelerating aging society.

It provided empirical guidelines for developers of paid welfare houses for seniors on regions with feasibility of further development and insufficient number of units. It analyzed the current status of paid welfare houses for seniors and senior population across the country, aging society rate of each region, etc., compared with the national average and presented additional demand. The analysis on the current status of and demand for paid welfare houses for seniors across the country revealed that there are some regions requiring additional facilities; this is expected to be utilized as guidelines for new projects for suppliers, and useful data in deciding on a facility with easy access to home for potential demanders.

#### **4.2. Limitations of the research and future research directions**

Regardless abovementioned outcomes, this research has following limitations:

First, although it investigated the entire facilities, it is difficult to generalize the analysis results due to the small number of cases (25). In particular, lack of information on the metropolitan cities and provincial regions without paid welfare houses for seniors has impeded the study from identifying the national trends.

Second, the research could not reflect reviews of the current residents after experiencing the facilities. As this would be useful for project developers of such senior facilities in the future, it is expected to be covered by following research.

Finally, since this study failed to negotiate issues such as copyright and image right, a lot of image materials created during the research could not be included. It is expected to be able to provide more realistic, vivid and practical information, after such issues have been solved.

#### **References**

- [1] S. J. Yoo, "Senior housing in the future society," Seoul, Hangeongs, pp.37, (2008)
- [2] M.R. Hong, "A Study on Improvement of Senior Welfare Housing and Development of Advanced Models, Report of Research on Senior Welfare Policy", pp.13, (2009)
- [3] S. Na-Yun, "A study on the design of the smart silver town in urban type for active senior", HanYang University Master`s degree, (2011)
- [4] <http://www.mohw.go.kr>/the current status of senior welfare facilities, (2014)
- [5] <http://www.city.yokohama.lg.jp/> Long-term care insurance service, (2012)
- [6] <http://www.mohw.go.kr>/ Status of Welfare Facilities for the Elderly, (2014)
- [7] <http://kostat.go.kr>/ Elderly person statistics, (2014)
- [8] <http://kostat.go.kr>/ Elderly person statistics, (2013)
- [9] <http://kostat.go.kr>/ Census population, (2012)