

Re-classifying the Business Areas of the Construction Industry in Response to Changes in the Construction Market

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Summary

1. **Background:** As of June 2015, there were approximately 57,000 construction companies in South Korea, including 11,000 general contractors and 46,000 specialty contractors.
2. **Overlapping business areas:** Approximately 1,400 contractors are licensed as both general and specialty contractors. Among general contractors, a high ratio of companies have licenses for both civil engineering and building. Among specialty contractors, the majority have a license for reinforced concrete works in addition to their major business area.
3. **Analysis of technological characteristics:** In consideration of technological similarities and interrelated processes, the current 25 business areas of specialized work can be further classified into the categories of interior architecture, facility maintenance, building installation, facility construction, site preparation, and landscaping.
4. **Analysis of market structure:** The results of analysis of market concentration by business area show that for general contractors, the level of competition is low in industrial & environmental facility construction. For specialty contractors, the level of concentration is low in structural iron works, railroad and railway roadbed construction, and dredging works.
5. **Survey of perceptions:** The majority of respondents agreed that the business areas, strictly regulated, for general and specialty contractors should be integrated and re-classified. A number of respondents also said that the license for landscaping general contractor should be integrated with those for two specialty contractors: scenic planting and landscape facility construction.

Policy Implications

- ① It is necessary to re-classify the business areas of the construction industry in a phased manner in order to minimize confusion in the market, utilize the current legal and institutional framework, and strengthen the competitiveness of the construction industry.
- ② In the short term, a total of 30 business areas in the construction industry (five for general contractors and 25 for specialty contractors) should be re-classified into 27 business areas.
- ③ In the mid and long term, specialized construction works should be re-classified into six business areas (interior architecture, facility maintenance, building installation, facility construction, site preparation,

and landscaping) according to the nature of the work and the process entailed.

- ④ Re-classification of the construction industry is expected to promote fairer contracting between service providers (contractors) and clients (owner organizations and construction management companies).