

## **WAGES RISING SINCE JULY 2002 ECONOMIC REFORMS**

The implementation of economic management reform measures on July 1, 2002 meant that the North Korean government was no longer directly responsible for the livelihood of its citizens, yet since that time personal incomes have been on the rise. At the end of last year, the Bank of Korea Institute for Monetary and Economic Research conducted a survey of 335 North Korean defectors, resulting in the recently released “Survey of the State of Economic Transformation in North Korea as Told Through DPRK Defectors.”

By comparing livelihoods prior to the reform measures, particularly 1997-1999, to those found afterward, specifically 2004-2006, it was determined that while 43 percent of defectors were employed prior to the measures, only 7.5 percent of their monthly earnings came from wages, and this dropped to 5 percent after July 2002. Earnings from business transactions also dropped, from 91.1 percent to 88.1 percent. On the other hand, the percentage of defectors who supported themselves through help from relatives, private raising of livestock, or by engaging in other unregistered jobs on the side grew from 1.4 percent prior to the measures, to 6.9 percent afterward.

According to the survey, while these defectors were residing in North Korea, 60.5 percent held a regular job prior to the economic reforms, while only 52.2 percent did so afterward. In place of regular employment, the percent of those who did not report to work or held jobs on the side rose from 39.5 percent to 47.5 percent; an indication of the shabby state of economic management in the country. That said, it appears that the individual incomes of the defectors surveyed rose considerably during the period surveyed, averaging 5-6 USD per month from 1997-1999, and 19-22

USD per month between 2004 and 2006.

Prior to the reform measures, 71.7 percent of defectors surveyed said they made up for ration deficiencies by trading in the markets, 23.6 percent by cultivating private vegetable gardens, and 4.7 percent through support from relatives, smuggling, or other means. Following the July 2002 reform measures, 69.6 percent said they traded, 27.4 percent raised their own vegetables, and 3 percent relied on other means.

According to recent studies, the increase in defections of families and unemployed North Koreans indicates a loosening of the state-controlled economy. Even after the reform measures were instituted, self-sufficient production facilities continued to flounder, proving that the state was not capable of supporting the livelihoods of its citizens. The incomes and consumption levels of recent defectors tend to be higher than before, reflecting the fact that the standard of living in the North appears to be relatively higher than it had been previously, but this is mainly due to individual effort, as well as the growing market economy and the related (unauthorized) jobs this has created.