

To ignite economy, North Korea shifts more responsibility to factories, farmers in effort to ignite economy

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North Korea is trying to invigorate its hidebound economy by offering more control and possibly more personal rewards to key sectors of its workforce in the country's biggest domestic policy experiment since leader Kim Jong-un assumed power.

The measures give managers the power to set salaries and hire and fire employees, and give farmers more of a stake in out-producing quotas.

The changes were introduced soon after Kim took over in late 2011, codified last May and, according to North Korean economists are now being expanded to cover the whole country.

The focus is on management, distribution and farming, said economist Ri Ki Song of the Economic Science Section at Pyongyang's powerful Academy of Social Science, in an interview last month. Ri said the goal is to prod North Korean managers and farmers to "do business creatively, on their own initiative".

Pyongyang has not formally disclosed details of the measures, believed to have been approved on May 30 last year. But according to the North Korean economists, these are some of the major points:

- Managers can now decide on salaries without following state-set levels. Once an enterprise has paid the state and reinvested income to expand production, develop technology and pay for the "cultural welfare" of its employees, it can use the remaining funds to determine various pay levels.
- Factories or other enterprises can directly negotiate trade deals with foreign entities and hire or fire workers at their discretion. They can also decide what materials to buy and from whom and negotiate prices.
- On cooperative farms, sub-units of four or five people have been set up so that each farmer has a greater stake in producing a better yield from their plot.

South Korea's central bank reported the North's economy grew at just over one per cent in 2012 and 2013. It estimated North Korea's GDP at about US\$30 billion. In lieu of official numbers from the North, figures compiled by South Korean agencies are often regarded as the next best thing, though they are dismissed by Pyongyang and taken with a grain of salt by foreigners.

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