

# An Approach to Social Security in KOREA

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## 1. Foreword

The 1948 Constitution of the Republic of Korea guarantees all citizens equality before the law; personal freedom; freedom from restrictions on domicile; privacy of correspondence; freedom of religion and conscience; freedom of speech, press, assembly and association; freedom of science and art; the right of property; equal opportunity for education; the right to work, with special protection for the labour of women and children; the right of petitions; the right to trial in accordance with the law; freedom from prosecution under *ex post facto* laws and from double jeopardy; the right to speedy and public trial in criminal cases; and the right to elect government officials and to assume public office in accordance with the provision of law.

It also specifically guarantees freedom of association, collective bargaining, and collective actions of labourers and the right of workers to share in the profits of private enterprises in which they are employed. Citizens who are incapable of making a living because of old age, infirmity, or inability to work are declared to be entitled to protection by the State; and the purity of marriage and the health of the family are placed under the special protection of the State.<sup>1)</sup>

"All citizens shall have the right and duty to work. The standards of the conditions of labour shall be determined by law. Special protections shall be extended to the labour of women and children."<sup>2)</sup>

The Republic of Korea thus is a *free society* in the sense of *Lord Be-*

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1) Constitutions of Nations, by Amos J. Peaslee, 1956, The Hague, PP. 545-559.  
2) Constitution of the Republic of Korea, Article 17.

*veridge's* term<sup>3)</sup>, which excludes the totalitarian solution of social and economic problem in a society—that is one which is completely planned and regimented by an irremovable dictator. In many ways, this delineation makes the social, economic and political problems for which we have to be engaged more complex. As clearly shown in the Constitution, the governing principle of the state is that of welfarism. How far can these ideals be realized is the greatest question to be asked whenever the future of Korea is considered.

"The concept of the Welfare State is a broad one. It embraces economic prosperity, moral well-being and the whole system of values that compose what we call a civilization." But, "such considerations transfer the issues of politics from the starting point of physical safety to the terminus of an ethical ideal."<sup>4)</sup> But it seems almost impossible to realize a nation-wide social protection(physical safety) apart from an ethical ideal for those countries. Still real problem remains, however, that these countries are going into the industrialization process in their economic structures. For those countries the most urgent task to be done is a rapid economic development which enables them to escape from their traditional poverty. How to provide the economic prosperity for the society is the problem for which all the scientists are engaged.

Although the most important thing to be done is a rapid economic growth, we may recall the famous paragraph of *Arnold Toynbee*: "The effects of the Industrial Revolution prove that free competition may produce wealth without producing well-being."<sup>5)</sup> *Lord Beveridge* expressed the same thought when he said "Misery Generates Hate."<sup>6)</sup> As industrialization deepens, its significance upon the social life of the people is reflected in the natural adjustments by individuals toward their new social environment. One indication of these adjustments can be seen in the individualized risks of traditional society being transformed into forms of socialized risks. Should this point be admitted, we can then fix the primary point of the modern concept of Social Security.

"The validity of the social services system will continue to depend on an active interest in society and a willingness to serve. It will also *depend on the capacity to adapt the services themselves in a period of social change*. There can be no finalty in the structure.....: they represent the solution of a reforming generation. As the economic and social framework change—the age framework, the family framework, the wage framework—welfare commitments will take on a new shape."<sup>7)</sup> Then, how far can social security systems be beneficial for underdeveloped countries? Just because of a costly business and results in higher consumption, underdeveloped countries which first aim

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3) Lord W. Beveridge, *Full Employment in a Free Society*, 1953, London, P. 21.

4) Leslie Lipson, *The Great Issues of Politics*, P. 441.

5) Arnold Toynbee, *Lectures on the Industrial Revolution of the Eighteenth Century in England*, 1881, First Beacon Paper-Back Edition, 1956, New York, P. 66.

6) Lord W. Beveridge, *Full Employment in a Free Society*, 1953, London, Inside-Cover.

7) *The British Economy 1945-1950*, Worswick and Ady, 1952, Oxford, P. 380.

should be to increase national income should be *careful to introduce social security system*. They need a great part of the budget which otherwise could be used for capital formation and thus lead to a higher income in future.

Until the beginning of the twentieth century, Korea was an agricultural and traditionally stagnant society. Even today a subsistence-level economy still remains in some rural areas. The industrial sector, in its modern sense, has its only small weight in the total economic activities. Korea also has its own type of social protection for the unfavoured people, suitable only in an agricultural and subsistence economy. Any Western concept which is concerned with social security cannot easily be adopted by this peculiar social pattern of the country. With introduction of an industrial economy, some new type of social protection is needed. Now the entire economy hastens its step in a transitional process from a stagnant agricultural to a dynamic industrial economy. There still does not exist any systematic work which can be considered an adequate guide to implement social security.

Trade Unions Act(enacted March 8, 1953, Law No. 280) and Labour Standard Code(enacted May 10, 1953, Law No. 286) are being enforced for the protection of workers' fundamental rights as defined in the Constitution. There are other accessory laws to ensure the above laws are implemented to their fullest context. But, the real problem is how far can these laws influence the general welfare of the working population.

The problem of protecting labour in Korea is, as seen later, not similar to the social remedy applied in an industrialized economy, as it requires a total social reorganization. Historically and theoretically, the various social security measures are designed to tackle the evils which result from the economic evolution of society. Therefore, it can hardly be expected to have a well-organized system of social security when the society is in the process of transition from a traditional, agricultural, and stagnant economic phase to a new dynamic and industrial economic order. This is the case of Korea to-day.

No attention will be paid to the workers in civil or other favoured occupations, because the aim of social security measures is to benefit the class of the people at the bottom of economic hierarchy. As shall be discussed later, a tiny fraction of workers can be expected to be included in the social insurance scheme at its beginning. The working population in Korea amounts to the number of appr. eight million, of which only one per cent of them can be included in any tentative social security measure. The most urgent thing to be done for the welfare of the workers is not any supplementary or charitable measure by the State. The first thing to be done would be to prevent risks rather than to alleviate them. Social security may be seen as a step for the realization of the welfare state.

It leads us, naturally, to the discussion of the general economic policy. All the social security measures aim at providing for unforeseen accidents which may result from social-economic lags. However, in Korea, there are

too many mishaps threatening for most of the active population. Even the regularly-employed workers cannot manage a fair standard of living. Perhaps, more persons are unemployed or underemployed than regularly employed.

Social security measures are *ex post facto* measures which should be taken by the power authority of the society, to minimize the social evils arising from the existing social and economic institutions. Many social policies should be exercised for the realization of welfare society. Side by side, with social security measures, a *full employment policy*, *wage policy* (which is included in labour legislation), and *trade unionism* should be envisaged. These three instruments may be seen as essential for the realization of social security.

The contents of present labour standards and trade unionism in Korea will be reviewed as far as possible. Since the three instruments are essential for the problems we are considering, it may be said that the deficiencies in labour standards and trade unionism are counter-balanced by the lack of efficiency of a full employment policy. The existence of the poverty of the people raises another problem—that of the productivity of labor—which is connected with the problem of capital formation. In the economy of starvation in Korea, should it be a matter of consideration? The answer may be negative one.

However, the measures for the protection of labour should not lead us to neglect the importance of the capital formation or full employment. Through overall economic and social policies, a stable work force should be created. If these conditions are fulfilled the introduction of social insurance would be on the road of development. The aim of this paper does not allow a discussion in detail of the problem of general economic development. But, one thing seems clear that the existing labour legislation should be fully utilized for the preparing the ground for a system of social insurances.

For the time being, the problem of income redistribution through social insurance or the problem of financial subsidy would not be the serious matter for the Korean economy, because no overall coverage of social insurance may be considered. This piece-meal introduction would be an inspiration for the future of labour in Korea. With development of economic and social order in the industrialized Korea, the principle of gradual extension may easily be adopted.

“Social security policy can only be planned as part of a larger programme which includes measures for promoting employment and maintaining it at a high level, for increasing the national dividend and sharing it more equitably, for improving nutrition and housing, multiplying facilities for medical care, and widening opportunities for general and vocational social education. Security services are advantaged by economic adjustments that make for the expansion of employment and for the distribution of income in such a way as to procure the essentials of decent living, with due consideration for family charges.”<sup>9)</sup>

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9) Approaches to Social Security, I.L.O., 1912, P.97.

Therefore, the claim and effort for the social security measure may remain in vain in Korea so long as the basic economic needs of the people cannot be met.

It is worth noting that the per capita level of national income in Korea is still less than U.S. \$ 80.00. And, the rate of growth of the Korean economy during the last five years averaged 5.9 per cent.<sup>10)</sup> This rate of growth depended upon (1) the rich agricultural harvest, (2) foreign aid, and (3) rationalized production methods in manufacturing (large-scale). The rate of Gross Domestic Capital Formation out of Gross National Product averaged 10.9 per cent (excluded the item of increased stocks) during the years of 1955-1958.<sup>11)</sup> But, during the above period most of the investment was made to depreciate the old capital goods and reconstruct the destroyed facilities by the Korean War. Furthermore, the main source of the investment fund was obtained through foreign aids. The economy of Korea is far from a self-sustaining economy. All the above figures have resulted from the positive contribution of foreign aids during the period.

No positive sign for the take-off in Korean economy is discernable yet. In these circumstances, in which more than two million of unemployed or underemployed hands are seeking an opportunity for work, the claim of social security may echo as a fantasy. In the budget of the fiscal year 1958, 45 per cent of government revenue was financed through foreign aids. By noticing the most simplified picture of external trade of Korea,<sup>12)</sup> it may be clear that the Korean economy is far from self-sustaining growth.

No short or long term economic planning has yet been projected. Coping with the strong communist infiltration from North, the Republic of Korea is striving for a higher standard of living by all means. In considering the scheme for the social security in Korea, whatever the plea for a rapid economic growth may be, the problem of a high rate of capital formation should not be placed upon the shoulder of the labouring class but should rely on better economic planning in the country. The claim of social security measures is not only confined to the present generation but also to the improvement of future generations. If there exists any yardstick to measure the effects of social investment, it will surely bring out the favourable effect of social security on the social life as a whole. Through the method of collective consumption, the society may guarantee a minimum level of social consumption to be provided by the economic structure. The meaning of collective consumption in this case can be interpreted in such a way that by securing the minimum consumption

10) Annual Economic Review, The Bank of Korea, 1955, P. (I)-7.

11) Ibid., P. (I)-12.

12) Balance-Sheet of External Trade (in Thousand U.S. Dollars)

	Exports	Imports	Balance
1957	22,202	57,177	-34,975
1958	16,452	65,409	-48,957

Source: Annual Economic Review, *ibid.*, P. (I)-109

of the people for their minimum standard of living the society may gain a better perspective for the future.

As it is being told, "To Live is To Function!" "To realize this goal requires work and increased production; and it requires co-operation in a spirit of practical solidarity."<sup>13</sup> Along with the overall economic and social planning for a higher standard of living of people, the solidarity of the society could be obtained. Korea may not be entitled to possess a fully developed social security system, but she is surely entitled to begin it along with the industrialization of her economy.

## 2. Industrial Pattern

To understand the economy of Korea, we had best start with the industrial origin of its Gross National Product(hereafter expressed in G.N.P.). In the most simplified form, Table (1) can be observed for our first reference.

**Table (1) Percentage Distribution of Sectional Origin of the Gross National Product (1955 Current Price)**

Year	1955	1956	1957	1958	Average
<b>Sector</b>	41.8	38.9	39.6	40.1	40.5
Primary	41.8	38.9	39.6	40.1	40.5
Secondary	15.2	16.7	17.0	17.2	15.5
Tertiary	43.0	44.4	42.7	42.7	44.0
<b>Total</b>	100.0	100.0	100.0	100.0	100.0

Source: Annual Economic Review, *ibid.*, P.(III)-16

The secondary sector's weight in the total economy is extremely low. The major part of the G.N.P. is occupied by what *Colin Clark* in his book, "The Conditions of Economic Growth, 1940", called the primary and tertiary sectors.

Then, if we look at Table (2), we can more vividly see the weakness of the industrial sector in the Korean economy. The textile industry occupies the number one spot for the number of factories, number of employees, and production output. The chemical industry also shows as relatively higher level than do the others. But, we must envisage the productive capacity of the machinery and metal industries. Nothing can be taken from this table which can indicate a favorable and balanced distribution of the subdivision in this sector.

The main reason for the weakness shown in Table (2) has been the division of Korea since 1945, which has created the so-called *agricultural South* and *industrial North*. Evenmore, the Korean war, 1950-1953, had destroyed nearly 70 percent of all industrial facilities in South Korea, which amounted to three billion U. S. Dollars. However, it has been reported that by 1958 the G.N.P. has reached to 1,112.2 billion Hwan, which had been the Pre-Korean War level.<sup>14</sup> All this rehabilitation of the economy has been greatly due

13) Freedom and Welfare, edited by George R. Nelson, 1953, Denmark, P. 521

14) Annual Economic Review, *ibid.*, 1959, pp. (I)-7-11.

to foreign economic aids, mainly from United States of America. However, per capita income has not exceeded the level of U.S. \$ 80.00.

**Table (2) Composition of Korean Industry (1958)**

Items	Factories	Employees	Production
Industries			
Textile	36.0(%)	51.3(%)	37.8(%)
Chemical	20.5	23.5	31.4
Food	15.5	4.9	12.6
Machinery	13.0	8.5	5.1
Metal	6.3	4.1	4.7
Printing	2.0	1.8	3.5
China	3.0	4.4	3.4
Industrial Arts	3.6	1.5	1.5
Total	100.0	100.0	100.0

Source: Analytical Review of Small- and Medium-Scale Industries in Korea, 1959, Industrial Research Centre, Seoul, P. 38.

Let us now turn to the population distribution of major industries. Approximately 75 per cent of working labour force is engaged in agriculture and fishing industries.

Mining and Manufacturing together can not exceed two per cent of the total employed population.<sup>15)</sup> This indicate that even if we start the social security measures in these industries, we could not include more than two per cent of the total working population. In the sense of *Lord W. Beveridge's* term, Korea is a *Free society*. Thus, at the beginning, we must be satisfied with the inclusion of two per cent of the working population.

But, the most recent statistical computation on manufacturing in Korea presents the total number employed in manufacturing in a quite another way. It rests at impressive 260, 427 persons.<sup>16)</sup>

From the same statistical inquiry conducted by The Korean Reconstruction Bank, we can gather the number of employees in Mining: 37, 293 Persons. Therefore, at the beginning of our scheme of social security system in Korea, we can try to include roughly 300,000 labourers in manufacturing and mining. Referring to the experiences of the now advanced industrial countries, such an approach would not lead to faulty reasoning in future analysis.

One of the crucial factors for the application of any labour legislation is the size of the factory or undertaking. In the now developed countries, too, the small and medium scale industries were, at their beginnings, excluded in the application of labour legislation. The Labour Standard Code of Korea excludes the factories and undertakings which employ less than 15 workers

15) Source: Annual Economic Review, *ibid.*, 1959, p. (III)-14.

16) Unpublished Statistics, by The Korean Reconstruction Bank, for the period of 1958, 4. 1. -1959, 3, 31. (See Appendix)

and household workers. How far realistic this is! How far can this Labour Standard Code be effectively applied in practice? To answer these questions we have to review the true conditions in the present manufacturing industries in Korea.

**Table (3) Factories by Size (by Number of Employees)**

Number of Employees	Number of Factories		Number of Employees	
10-49	2,750	85.7(%)	49,455	42.9(%)
50-99	312	9.7	21,341	18.6
100-	146	4.6	44,189	38.5
Total	3,208	100.0	114,965	100.0

Source: Analytical Review of Small and Medium Scale Industries in Korea, 1959, Industrial Research Centre, Seoul, p.39

In Table (3), small scale industry(10-49) occupies 86 per cent of the total number of factories and 43 per cent of the total number of employees. Large scale industry does not exceed 5 per cent of all factories and only 40 per cent of all employees. This is most simplified explanation on the scale of Korean manufacturing industries. Although the number of employees and factories are quite different in each table, we can still observe the general tendency of the industrial structure of Korea.

Nearly 40 per cent of the total employed are working in large scale industries, that is in factories which employ more than 100 workers. However, if we look into the contents of these manufacturing industries, apart from the financial and administrative structure of those large scale industries, we will be able to gain a clearer picture we must meet.

From Table (4), we can see that nearly 40 per cent of the workers in manufacturing are employed in the textile industry. In another words, out of 222,190 workers 86,304 are employed in textiles. Then, while the proportion of the large scale textiles is less than 2 per cent of the total textile plants, large scale textile factories employ 43 per cent of the total textile workers. This greater proportion of large scale textile industries might appear to be a good sign of the industrialization process. This is a leading sector of a modern industrial development. Thus, the textile industry employs nearly half of the industrial workers in manufacturing. This dominant role of the textile indus-

**Table (4) Number of Employees in Various Manufactures by Size (as of Dec.31, 1955)**

Industries	Less than 30 Workers		More than 100 Workers	
	30 Workers	Workers	Workers	Total Workers
Food Manufacturing	14,423	5,059	3,823	23,310
Beverage Industries	10,904	1,640	1,143	13,677
Textile	28,539	20,946	36,819	86,304
Footwear, & Made-Up Textile Goods	3,072	2,149	869	7,090



Wood & Cork, except Furniture	7,132	1,565	1,203	9,990
Furniture & Fixtures	677	304	—	981
Paper & paper Products	1,474	1,947	1,220	4,641
Printing & Publishing	2,996	3,246	3,500	9,742
Leather & Leather Products	692	235	—	927
Robber Products	674	2,736	10,394	13,804
Chemicals & Chemical Products	2,973	3,534	1,174	7,681
Coal Products	922	669	426	2,017
Glass & Glass Products and Clay & Stone	7,134	5,497	3,086	15,717
Basic Metal Industry	2,483	1,951	1,014	5,448
Metal Products	2,387	2,092	850	5,329
Machinery	2,772	2,119	494	5,385
Electric Machinery, Apparatus, Appliance & Supplies	739	438	—	1,167
Transport Equipments	2,706	2,867	1,648	7,223
Other Miscellaneous	1,944	1,408	507	3,859
<b>Total</b>	<b>93,621</b>	<b>60,404</b>	<b>68,165</b>	<b>222,190</b>

Source: A Report of the Situation of Small and Medium Scale Industries of Korea, Industrial Research Centre, 1958, p. 14.

try in itself may hamper the enforcement of labour legislation or encouragement of trade unionism in its proper way. This point will be more fully discussed later.

More than 42 per cent of total number of manufacturing workers are employed in factories which employ less than 30 workers. In another words, nearly 70 per cent of the total workers are employed in the factories which use less than 100 workers. The actual situation for Korean industry being small scaled is well explained by this Table (4). Also, We are now not concerned with the application of the Labour Standard Code for other occupations. How can this code be applied and enforced effectively in these small and medium scale industries? What are the main factors which hamper its enforcement? What are the actual conditions of those labour force, which does not allow the realization of the beautiful ideals written in laws? These are the main questions we will try to answer in the following part of this paper.

### 3. Situation of Working Labour

There are working labourers in larger or smaller industries. There are various laws and codes for the benefits of these working labourers. And, the ultimate aim of these laws and codes in connection with these working labourers is the realization of the ideals written and declared in the Constitution. The most important thing to achieve is a rapid economic growth. However, the importance of the social security in the process of social development also

should not be overlooked. Without contradicting with the task of capital formation for the economic growth, a maximum effort must be paid in the field of social security measures. In Korea, what would be the maximum level of social security measures? And, why those existing legal framework should remain out of practice?

#### **① Working Hours and Holidays**

Section 4 of the Labour Standard Code stipulates the eight-hour work-day as a principle. But, if and when there is an agreement between the workers and employer, a sixty-hour work-week is permitted. Of course, the application of these fixed working hours is excluded in agriculture and fishery, along with some other exceptions. For underground work and other dangerous and unhealthy occupations, the working hours are fixed at six-hours a day. One hour of rest should be included in every eight-working-hours.

However, according to an inquiry of the Industrial Research Centre, Seoul, in small and medium scale industries, none apply the eight-hours working-day. The report could not cite any statistics from their inquiry because nine or ten hours of work a day was normal in all fields of industry.<sup>15)</sup> Sometimes, they even found a twelve-hour work-day. It is certain that in some large-scale industries, the rule of an eight-hour work-day is exceptionally adhered to because these industries are highly mechanized or well administered.

Section 4 regulates holidays as follow: there should be one holiday per week (without regulation regarding to payment!); public and national holidays should be included in the paid-working-days; for over-time and night work, the wage rate should be 150 per cent above the normal wage level; one paid-holiday should be given once a month; and annually paid-holidays should be a minimum of eight days for any workers employed full time.

What is the real situation? The regulations of one holiday per week is of small benefit to the workers since an unpaid holiday is not wanted due to the very low weekly wage. In practice, however, no factory or undertaking is implementing this rule of holidays, except for some large-scale factories. The general workers in small and medium scale industry are only getting two or three holidays a month, of course, without pay. Overtime and night work are quite normal in all firms, and no special arrangement is made for the payment of extra wages. No paid holidays, monthly or annually, are given for the workers. All holidays which are enjoyed by the workers are traditional festivity days: New Year's Day or the Day of the August-Moon. These facts do not mean that no holiday is given to the workers. On the contrary, there are too many holidays, mostly without payment of wages, because of the unavailability of work.<sup>16)</sup>

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15) A Report on the Situation of Small and Medium Scale Industries in Korea, Industrial Research, Centre, 1958, p. 115.

16) *ibid.*, P. 115.

Several factors should be mentioned to explain the above situation. Although the productivity of labour should be taken into account most of all, it would be better to start our discussion from another aspect, namely, the problem of work load in these industries. The work load is due to the financial weakness of the firms in combatting the effects of variations in demand. If business conditions were stable, the level of operation of the firms involved would be stable. As we shall see in the discussion of wage problem, almost no firm possesses enough working capital. The purchasing power of the people in general is mainly regulated by seasonal factors, due to the fact that more than 60 per cent of the population is engaged in agriculture. Therefore, small and medium scale firms cut down their operations when purchasing power decreases, and increase production when marketing conditions are favourable.

If we look upon Table (5) above, the work loads of these industries seem high enough in view of the unstabilized business conditions. What we have to remind in this respect is, however, not the matter of general work load but of the practical adjustment of these firms toward the outside conditions. The above figures do not necessarily mean the normal cut-down of their operation. Furthermore, the above figures are the average of the firms concerned regardless their scales. If we get rid of the large scale (mostly have strong political back ground) industries from the above statistics, those figures may greatly be worsened.

**Table (5) Rate of Operation in Korean Manufacturing** (as of 1959)

<b>Classification</b>	<b>Rate of Operation</b>
Cotten Textiles	71.0(%)
Woolen Textiles	90.0
Spinnings	22.0
Silk & Nylon	66.0
Rubber Products	41.0
Metal Products	54.0
Milling (excl. Flouring)	16.0
Wood(Sawing)	36.0
Bicycle	70.0
Cement	31.0
China	28.0
Leather	30.0
Canned Foods	28.0
Groceries	48.0
Beer	31.0
Brewing	90.0
Printing	22.0

Source: Unpublished Statistics, by The Korean Reconstruction Bank.

General economic conditions have never been stabilized after World War II. This influence of general economic conditions upon the production schedule

would have been one of the main causes for longer working hours and long period of unpaid holidays.

The low rate of productivity is the most important factor which underlies all the above phenomena. We will discuss the problem of productivity in detail when we analyse the problem of wages. If the productivity of those labour was much higher than as it is, they might not need to work for a longer hours, even under the unstable business conditions. *By working longer hours they are increasing the low rate of capital-output ratio which prevails in this industries.* This is the crucial point for the problem of working hours. Under the pressure of low wages, the labourers engaged in these industries should accept the longer working hours by increasing the rate of capital-output ratio. How we can combine the problem of increasing productivity and the problem of increasing employment is, therefore, the main task of any Korean economic policy so long as underemployment and unemployment exist.

### ⑥ Wages

The standard of living varies in different times and spaces, and so do general wage levels. The low wage in Korea would not be such an astonishing fact if the general economic unproductivity is taken into account. However, a serious concern is wages when these low wages cannot sustain the living expenditure of the wage earner. In Korea to-day, the discrepancy between actual wages and actual living expenditure raises a great problem. Minimum wages might be conceived in relation to this low wage. But, no firm or establishment could possibly offer higher wages than the existing level, because of their financial incapability and unproductivity of the very labour.

Table (6) shows the general trend of the income level of the household (five family members) in relation to the price index of consumer goods and the level of household consumption. In 1958, household expenditures seem well matched with income. But, one thing we have to remember here is that these statistics are compiled by governmental authorities, through a random sample method; and these figures include all households with an income from wage or salary. These figures pertain to the general working class households, not to the workers' households in which we are interested. And, if we follow the figures of Table (6), the general living conditions of the employed workers, regardless of whether they are getting salaries or wages, would seem to indicate that they are able to keep their household budgets in balance without any help from the outside.

**Table (6) Trend of Income Level, Consumption Level and Price Index of Consumer Foods (1955=100)**

Average Employees' Household with Five Family Members

	1955	1956	1957	1958
Income of Household	36,641	49,056	60,861	64,529(Hwan)

Index	100.0	133.9	166.1	176.1
Expenditure of Household	36,281	51,426	61,218	64,017
Index	100.0	141.7	168.7	176.4
Price Index of Consumer Goods	100.0	122.9	151.3	146.7
Level of Income	100.0	109.0	109.8	120.0
Level of Expenditure	100.0	115.3	111.5	120.2

Source: Annual Economic Review, *ibid.*, P. (I)—139.

It might be conceived easily that they are now in a good condition between their income and expenditure. However, this is the beginning of our discussion. Then, Table (7) indicates the level of wages and the level of wages and the level of salaries of those households.

**Table (7) Composition of Household Income with Five Family Members**  
—as of the year of 1958—

	Average Workers'	Salary Earners'	Wage Earners'
Total Income	64,530 100.0%	76,377 100.0%	52,396 100.0%
Regular Income of Householder	43,765 67.8%	49,279 64.5%	38,115 72.7%
Supplementary Income of Householder	14,568 22.6%	20,069 26.3%	8,934 17.0%
Income of Family Member	2,693 4.2%	2,175 2.8%	3,223 6.2%
Subsidy from Relatives	3,506 5.4%	4,854 6.4%	2,124 4.1%

Note: Income is monthly and unit is Korean Hwan.

Source: Annual Economic Review, *ibid.*, P. (I)—141.

In the household of a wage-earner, the householder's regular income covers only 73 per cent of the total household income. Subsidies from their relatives occupy another 4 per cent of the total income. The proportion of the subsidy out of the total household income is highest in the case of salary-earners, because, generally, the relatives of salary-earners are richer than those of wage-earners. It is clear that wage-earner's family members are economically more active than those of salary-earners. Most of all, the important fact in this respect is that a salary-earner can only earn 65 per cent of the total family income, while a wage-earner can earn 73 per cent. And, the sources of the income other than the regular income of householder are in most cases apt to be irregular ones. Furthermore, these total household income can hardly meet the expenditures. Those employed groups are always living in a deficit. The preservation of a sound labour force is no longer possible in this circumstances. The significance of this low wage appears more acutely from Table (8).

**Table (8) Monthly Earnings of Regular Employees in Manufacturing** (in Thousand Hwan)

	Jun. -Dec.		
	1956	1957	1958
Overall Average	19.4	22.3	24.1
Cash: Scheduled	16.4	19.0	20.6
: Unscheduled	2.4	2.9	3.1
in Kind	0.6	0.5	0.5
Male : Production Workers	22.2	26.2	28.6
: Clerical Workers	35.3	40.9	45.4
Female : Production Workers	11.8	14.1	14.9
: Clerical Workers	17.9	21.7	16.7

Source: Annual Economic Review, *ibid.*, p. (III)-292.

The problem does not occur in the payment in kind. The wage or salary in kind is almost vanishing in Korea. The real problem is that these low earning of regular employees cannot cover even the essential expenditures of their households.

Table (9) shows all the items in the family expenditure of wage-earners. The income of the wage-earners can only match their expenditures on foot. But, in practice, this does not mean that they have enough income for their subsistence (the index of *Engel* for the family of the wage-earner was 44.5 in 1958).<sup>17)</sup> By comparing the monthly earning of production workers, 28.6 thousand Hwan in Table (8), to their expenditure (subsistence), 53,8 thousand Hwan in Table (9) in the year of 1958, the difficult situation comes out clearly. Their income cannot cover their living expenditure. Although there are items which indicate savings in these families, i.e. Money Deposited, Bonds Bought, Money Lent, Insurance, it should not be considered as saving, in view of a higher amount of Debt Repaid, and their low income. More than half of their expenditures must be earned from other sources than their regular earnings. In this situation, nothing can easily be deducted from those low wages for other purposes, i.e. for some sort of social security measures. It was the average of a nation-wide sample survey. Therefore, we have to assume that conditions are worse in the small and medium scale industries.

The most urgent thing that should be done for these low wages is not to fix minimum wages, which incidentally means an increase of the existing wages, but to increase the productivity of those poorly paid workers. Although the financial capacity of Korean industries (small and medium scale industries) is weak and the productivity of labour also is low, it may be said that those industries' financial basis owes too much to their workers' low wages. But, the actual situation cannot permit higher wages, because of the two reasons referred above. This is a vicious circle, which cannot easily be broken.

17) Annual Economic Review, *ibid.*, p. (I)-142

**Table (9) Family Expenditures of Wage Earners in Seoul (in Hwan)**

	1957	1958
Sample Size	63	60
Person Per Family	4, 69	4, 96
<b>Disbursement</b>	70, 980	100, 0 %
Expenditures	48, 001	"68. 0 %"
Food	21, 721	32. 0
Grains	14, 148	20. 0
Subsidiary Foods	5, 275	7. 0
Seasonings	1, 490	2. 0
Meal Outside	460	1. 0
Luxury Items	1, 366	2. 0
Residence	4, 884	7. 0
Fuel and Light	3, 301	5. 0
Clothing	5, 391	8. 0
Miscellaneous	11, 704	16. 0
<b>Other Disbursements</b>	22, 979	"32. 0 %"
Money Carried Forward	10, 356	14. 0
Debt Repaid	8, 972	13. 0
Money Deposited	898	658
Bonds Bought	183	—
Money Lent	384	2. 0
Insurance	—	67
Others	2, 186	3. 0

Source: Annual Economic Review, *ibid.*, P. (III)—272.

The weak financial capability of business firms would be one of the important factors for this phenomenon of low wages. In textile industries, the proportion of working capital (floating) is extremely low, and of this 51 per cent is borrowed from outside sources. Even if we accept this given situation of high rate of borrowed capital, the important fact in this aspect is the contents of this borrowed capital. Of this borrowed capital, 53 per cent consists of money borrowed by usury, not from the banking organizations. Thus, these textile industries are paying very high interest rates (generally 3 per cent to 10 per cent mostly) for this borrowed capital, nearly one half of their profits. In these industries, the high interest rate is of fatal importance for their continuity of operations. This scarcity of capital is normal for all fields of manufacturing, mainly due to unstable economic condition which forces the employers to borrow capital whenever prospects appear brighter for their businesses. No banking system is ready to provide the needed capital to these small and medium scale industries, and thus small money lenders prevail in this field of manufacturing. Certain large scale industries do not face with this difficulty especially when the government holds the controlling power.

The proportion of fixed capital in the Korean textile industry seems rather

**Table (10) Financial situation of Textile Industries (August 1955)**

<b>A Proportional Survey</b>			
Assets;	100.0%	Debts;	100.0%
Fixed Capital	64.0%	Fixed Capital	49.0%
Floating Capital	36.0%	Floating Capital	51.0%
Sources of Debts;	100.0%	Profit Rate of Capital;	12.5%
		(monthly)	
Banking Organs	47.0%	Rate of Interest to Profit;	49.0%
Usuries	53.0%	(monthly)	

Source: Analytical Survey of Small and Medium Scale Industries in Korea, Industrial Research Centre, Seoul, 1959, pp. 42—43.

higher, apparently 64 per cent of total assets. This high proportion of fixed capital does not-necessarily mean that there is a high capital-output relationship, but, rather it means that there is a weakness in attempting to float the firm's capital. This sort of proportion is normal in all phases of manufacturing.<sup>18)</sup> This fact is shown clearly in Table.

When we look at Table (11) in connection with Table (10), we can see

**Table (11) The Composition of Average Production Cost in Small and Medium Scale Manufacturings**

Sample Size; 70

As of the Year of 1958

**A Proportional Survey**

Total Production Cost	100.00%
Raw Materials	67.38%
Fixed Capital Goods	7.62%
Wages	10.36%
Taxes	4.76%
Interests	2.79%
Clerical Expenses	1.27%
Marketing Expenses	1.60%
Social Expenses	0.92%
Electricity, Fuel & Water	2.66%
Household Expenditures of Employer	0.45%
Others	0.19%

Source: A Report on the Situation of Small and Medium Scale Industries in Korea, Industrial Research Centre, Seoul, 1958, p. 80

the weakness of working capital from which the wages for the workers have to be paid. The proportion for raw materials is extremely high. This is partly due to the higher costs for the imported raw materials, for which they are

18) The proportion of fixed capital in total assets in other fields of manufacturing are as follow: 75 per cent in Food Manufacturing, 42 per cent in Manufacturing of Rubber Products, 41 per cent in Metal, 67 per cent in Paper and 56 per cent in Chemicals. Source: Same with Table (10).



mostly dependent. And, the general imports of such goods are dependent upon the flow of foreign aids rather than upon free competition. Sudden changes in import quotas for an article which is essential for the continuance of the operation of manufacturing may worsen the production schedule.

Although the financial capacity of the firms is very weak, the problem of finance is directly related to the overall economic policy of the country, for example, banking policy, trade policy and so on. No special explanation will be necessary for the contents of Table (11). But, one important thing at this moment is the low rate of cost for Fixed Capital Goods (7.62 per cent), which may explain the low productivity of labour. The proportion for wages is extremely low, due to their small value added in their working process. This low proportion of wage in total production cost may be a result of the low productivity of labour in manufacturing. We have seen that the amount of these wages is only responsible for 10 per cent of total production cost.

The problem under the circumstance is to increase the productivity of labour. The rationalization of business organization might be considered for the solution. However, the most important thing is to stabilize the general business conditions which incidentally provides the stable production schedule for these small and medium scale industries. Provided the above conditions, the attention may turn toward the increased amount of capital facilities. To-day the small and medium scale industries are not able to operate their firms—although equipped with inefficient facilities—continuously.

Secion 3 of the Labour Standard Code is concerned with wages. First of all, the Ministry of Health and Social Affairs can fix minimum wages for certain occupations, whenever necessary. However, thus far no wage has been fixed in any occupation, which might be a sign of impossibility of fixation.

Other major points are the followings; wages must be paid in cash, except in cases when special collective agreements regulate the method of wage payments; wages must be paid at least once a month, and on a regular day; in emergency cases, workers' wages must be paid for the work already completed even before the regular pay-day; even during the periods of business suspension which are the employers' fault, 60 per cent of the regular wage must be paid.

It is clear, however, that no establishment possibly pay the wages, even its 60 per cent, when its operation had stopped. As we have seen the wage payment in kind is not so important in Korea, but it comes to the foreground when marketing conditions deteriorate.

#### (4) Trade Unions

Like the contents of the Labour Standard Code, the Trade Unions Act, Arbitration and Conciliation Act, and Labour Committee Act dealt with matters of practical application rather than with ideals. However, the actual labour movement in Korea was and is still closely tied to political leadership in the unstabilized social conditions. Under the ideals of trade unionism many

workers in various fields of industry were organized not voluntarily but passively by political-minded people. This practice by the trade unions is being continued up to the present time.

All the local unions were once organized into the one federation, the so-called Korean Federation of Trade Unions. The real implication of this federation was not of the welfare of the workers but of the interest of political-minded intellectuals.

The workers who were the members of trade unions were not receiving any benefits from their trade union membership. However, the statistical data shown below seem to show a substantial achievement in trade unionism in Korea. The number of trade unions in all industries is 616, among which 552 are local unions and the remaining 64 are federal unions. In manufacturing, the number accounts for 257 local unions, which embrace 84,393 workers in various fields of manufacturing industry. The number of workers in manufacturing industry are 260, 427, according to the statistics compiled by the Korean Reconstruction Bank. This implies that 32.4 per cent of the factory workers are organized under the name of trade union. However, when we review the unstable business conditions, especially in small and medium scale industries, the percentage of this organized labour seems rather high.

From Table (12) it is clear that a large proportion of the trade union memberships is occupied by the textile workers, in which woman workers are the majority. And, the same applies to those in the manufacturing of rubber products. As we have seen in the discussion of woman labour, these woman labourers mainly consist of young women who are unmarried and plan to work only temporarily. In other fields of manufacturing, the majority is always composed of male workers. It would be useless to discuss their number for the purpose of our analysis, because these data only show the workers who are formally organized under the name of trade union and used primarily for the purposes of political-minded groups.

No detailed data are available for the analysis of the actual situation in the trade unions to-day in Korea. However, Table (13) shows the number of

**Table (12) Actual Conditions of Trade Unions**

By Industry	Number of Trade Unions			as of March 30th 1960 Number of Memberships		
	Total	Local Unions	Federations	Total	Male	Female
1. Agr., Fishing & Forestry	11	11		15,472	15,196	276
2. Mining & Quarrying	33	33		17,286	16,720	568
3. Manufacturing	257	257		84,393	43,912	40,481
Food	30	30		7,824	5,258	2,566
Beverage	7	7		606	593	13
Tobacco	5	5		7,045	2,957	4,088

Textiles	65	65	33,526	6,732	26,794	
Footwear	18	18	6,414	4,975	1,639	
Wood & Cork	7	7	502	431	71	
Paper	9	9	910	814	96	
Printing	16	16	1,418	1,269	149	
Leather	6	6	572	572	—	
Rubber	8	8	4,513	1,318	3,175	
Chemicals	19	19	4,436	3,647	789	
Coal Products	7	7	2,576	2,211	365	
Glass & Clay	6	6	1,053	756	297	
Basic Metal	2	2	126	124	2	
Metal Products	17	17	5,758	5,741	17	
Machinery	14	14	1,507	1,457	50	
Electric Mach.	1	1	38	38	—	
Transport Equip.	10	10	4,612	4,571	41	
Miscellaneous	10	10	957	450	507	
4. Construction	14	14	3,316	3,261	55	
5. Electricity & Gas	10	10	10,505	9,901	604	
6. Commerce & Banking	5	5	2,793	2,415	324	
7. Transportation	88	88	66,959	65,527	1,432	
8. Service	50	50	16,249	14,364	1,885	
9. Dock-Works	40	40	50,055	49,258	797	
10. Other Free Unions	44	44	40,279	38,614	1,655	
Federal Unions	64	—	64	—	—	
Total	616	552	64	307,255	259,168	48,087

Source: Unpublished Statistics, Korean Federation of Trade Unions.

labour disputes initiated by these organizations which call themselves trade unions. Compared with the number of trade unions, the number of labour-management disputes is very small. The one curious aspect of Korean trade unionism is shown in the figures of the period from January to September in 1960. Since the government's attitude toward the valid protests of the trade unions were identified with and thereby conditional to the many occasioned communist resistance, which intends to increase the chaotic conditions of social order, most of the union's protests were kept from the public—except for those unions which possess strong political confidence for not being identified with the communist movement. After the collapse of Syngman Rhee's regime, which was authoritarian and anti-communistic, in April 1960, the people of Korea were guaranteed again the right and freedom of speech and association. The sharp increase in the number of disputes in the year of 1960 is the result of this liberation from the anti-communistic monarchy of Rhee.

The small number of arbitration and conciliation attempts might be the result of the inefficiency of administrative arrangement. It may also be considered as a sign of weakness of the trade unions vis-a-vis governmental au-

thority and employers. The Labour Dispute Arbitration Act provides three stages for the solution of disputes between trade unions and employers. The first stage is mediation through the government authority of each municipality. The second step is conciliation through the Labour Committee, which is composed of employers' representatives selected through the employers' conference, employees' representatives selected through trade unions, and public representative appointed by the Ministry of Health and Social Affairs. The third step is arbitration through the Labour Committee, when both parties of a dispute agree upon this method.

### **Total (13) Number of Labour Disputes**

	1957	1958	1959	1960	pre-4. 19	post-4. 19
Total	59	50	109	174	30	144
Arbitration	1	1	2	—	—	—
Conciliation	1	7	1	2	—	2
Compromise	20	11	11	57	6	51
Mediation	25	14	42	47	16	31
Rejected	4	4	34	7	2	5
Undecided	8	13	19	61	6	55

Source: Unpublished Statistics from Korean Federation of Trade Unions, up to September 1960. 41.9 means the date collapse of Rhee's.

According to this legal framework, the most effective way of finding a solution would be by conciliation because this method has some validity in the law. The large large number of arbitrations could be due to the weakness of the trade unions or to the strong power of government. The former hypothesis is most likely in many cases. This can be proved by noticing the large number of compromises, which does not necessarily mean that there have been any democratic fair compromises reached between the two parties concerned. We can almost be sure of our assumption because the statistics used are compiled by KFTU for its own purposes.

This is the reality of the regulations concerning labour disputes. However, the actual reason for these labour disputes could explain more clearly the situation of the trade unions. The major labour dispute is clearly the higher wages resulting from a too low wage level of the workers, not from a too high profit level of the employers. In other words, it means that the general wages are always remaining far behind of the ever-increasing price index of consumer goods. Another large number of disputes arise from the method of payment—in irregular payment of wages resulting—mainly from the unstable business conditions of the enterprises. The number of disputes due so dismissal in most cases originate from the all too prevalent paternalism of the employers. Unfortunately, no detailed explanation is given for the item of collective bargaining in Table (14).

However, one can be sure that, as we have seen in the discussions abo-

ve, collective bargaining through the trade unions is very difficult for the workers in small and medium scale industries. The figures referred to above pertain only, or mostly, to the trade unions in the public utility field: such as electrical works, sanitary works, transportation and communication works, and so on. Only a few cases have to do with the workers in the manufacturing industries, as the workers in the public utilities are much better organized and more or less enjoy stable working conditions; and, furthermore, it is an easier task to organize workers through the nation-wide network of employees; for political purpose, too, this sort of trade unions are effective enough to attract the workers.

**Table (14) Causes of Labour Disputes**

	1957	1958	1959	1960-	pre- 4. 19	post- 4. 19
Total	59	50	109	174	30	144
Higher Wages	39	23	79	43	7	36
Working Conditions	5	5	4	21	1	20
Against Dismissal	3	17	7	21	2	19
Wage Payment	2	—	—	22	5	17
Collective Bargaining	10	5	19	67	15	52

Source: Unpublished Statistics from Korean Federation of Trade Unions, (The year of 1960 represents only up to September).

Whatever the meaning of above shown statistics might be, "it is.....very much doubtful," Prof. *Hijun Tak* who is an authority in this field in Korea wrote, "whether the so-called labour movement and social legislation have really improved the living standard of workers, whether they have contributed to the formation of an efficient and responsible labour force and whether they have brought about any increase in the industrial productivity in Korea." Regarding to this situation, Prof. *H. Tak* continues, "in one word, the labour movement in Korea is not an inevitable result of growing capitalism (industrialization) in the country, but an imitation of the labour movement in advanced countries introduced by political-minded intellectuals without first imitating the advanced countries' productivity. Therefore political elements are predominant in Korean labour movement and more, often labour organizations are exploited for political purposes and for personal profit."<sup>19)</sup>

Strong paternalism still prevails in all industries. The lack of a stable labour force in manufacturing and the lack of sufficient economic strength of the trade unions are the most hampering factors for the development of trade unions in Korea. The Trade Unions Act regulates the rate of contribution for membership; it cannot exceed 2 per cent of labourers' wages. However, the rule of 2 per cent is practically meaningless because the workers have to pay outright or have it deducted from their pay. This applies not

<sup>19)</sup>"Trade Unionism in Korea, Chungang Economic Review, Vol. 6. July 1958. Seoul, p. 23.

only to a higher rate for the trade unions but also for other miscellaneous reasons as well.

Many trade unions are organized by the labour bosses solely to obtain power or control of workers. Many people are engaged in the management of trade unions, but do actually little besides getting their salaries from the contributions of the hard-working employees. Many trade unions are backed by the employers so that they can control the outcome of any labour dispute. In practice, there is no evidence that the trade unions have contributed to any benefit for the workers, since most unions are manipulated for the benefit of outsiders rather than for the workers themselves.

Furthermore, the process of mediating in labour disputes originates from the government authority—the Ministry of Health and Social Affairs. This method of conciliation results often in a bureaucratic arbitrary solution for a particular problem. This sad state of affairs is largely due to the lack of economic capacities on the part of the workers.

## 5. Social Insurance

The actual situation of the working force in Korea has been discussed in so far as the information permitted. In this section we want to review the situation in connection with the possibilities of social insurances. Needless to say, no country has started its system of social insurance in its present form right from the start. If it can be said that social insurance is a form of adoption of the mutual help existing in traditional societies to life of the workers in industrial societies, then possibility of a successful social insurance scheme would depend upon the stage of economic growth, that is, the degree of industrialization.

Refraining from the inclusion of the mining workers, if we develop our reasoning only with those workers who are employed in manufacturing industries, the first thing we have to face with would be the scope of the application of any social insurance measures. Although the risks which can be covered by the social insurances should be taken into account for the beginning of any discussion of this topic, the real difficulty would always be which percentage of the workers should be covered. In the foregoing, the applicability of social insurances in a developing (industrializing) society is confined only to those workers who are engaged in manufacturing and possibly mining. How far can this method of beginning the social insurance be applied in Korea? Referring to the former discussions of labour legislations, the real possibility and prospect will be reviewed here.

Although the financial capacity of manufacturing industry in general is very limited, the large-scale industries would be able to manage the piecemeal tentative social insurance measures. The small and medium scale industries would be excluded at the beginning of social insurance programme. As we have noticed many times, the stabilization of operation of the firms

without any non-paid holidays should be the first step taken for these industries. In large-scale industries, the labour boss-middle man in labour employment—is generally excluded from their personnel management, though there still exists some gang organizations in connection with the trade unions. We have seen the financial difficulties of small and medium scale industries. But, in large-scale industries, the financial help from public organization, i.e. the Korean Reconstruction Bank, the I.C.A. Fund, etc. is relatively easier than in the cases of small and medium scale industries,

Active trade unions are mainly concentrated in the large-scale industries. Therefore, at the beginning, it would be easier to apply them to those workers in large-scale industries, but with strong control issuing from an effective public authority. We cannot make any clear division in the number of male workers and female workers in these industries: however, it would not be unsound to assume that more than one half of these workers are composed of woman labourers. This reasoning appears realistic if the number of employees in large-scale industries is as shown in the Table given in the Appendix. Among the 86,643 employees in large-scale manufacturing, 40,632 employees are engaged in the textile industry, and 7,959 employees are engaged in the food manufacturing industry. These are the industries that mostly use cheap woman labour. Since we have no statistics by sex on the number of workers, no further detail can be offered. How we can deal with woman labour when introducing social insurance measures should be faced. However, in view of the composition of woman labour and its age distribution it may be suggested to exclude women labour from any social insurance scheme. According to the Industrial Research Center, in almost all cases, the longest service period is two years and the shortest is a few months.<sup>20)</sup> For the purpose of pooling risks through social insurance this short period of service of woman labourers would be a hampering factor. At the other hand, considering the common risks of the workers in manufacturing, it may not be proper to exclude these woman labourers. And, if we begin our social insurance system with a form of insurance to compensate workers against undue risks, these woman labourers should not be excluded.

In any case, the number of employers to be included in any tentative social insurance measure is less than one hundred thousand. This is the maximum number we can conceive of social insurance at this moment. For this discussions the category of the risks that are going to be covered by social insurances should be taken into account.

Section 8 of the Labour Standard Code deals with the workmen's compensation. The risks covered by the regulation of the workmen's compensation are naturally confined to industrial injuries and occupational diseases. When the insured form of any part of workmen's compensation comes into exist-

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20) A Review on the Situation of small and Medium Scale Industries in Korea, *ibid.*, p. 116.

tence, the fundamental basis laid to enable the employers to share their liability for compensation. It might be possible to include all kinds of compensation into one simplified social insurance system.

However, it would be more practical to classify the same into a few major types according to the differences in degree of risks. Industrial injuries would be the first item to be undertaken. Since the aim of any social insurance measure is to guarantee the necessary amount to compensate the working labour, main stress should be given to secure the payment for a particular hazard as a right, not as a charity. The risks of industrial injuries would be rather easy to insure. Then the next thing to be reviewed in this respect is how far we can provide compensation, and how far we can secure the necessary funds for the insurance. Before we go into the detail of this problem, it is necessary to make it clear how far we can make distinctions in workmen's compensation for the purpose of social insurance. *Industrial Injuries Compensation, Occupational Diseases Compensation, Invalidity Compensation, Survivors Compensation, and Suspension Compensation* are the major divisions of the compensations to be insured. But, since we have no statistics on these aspects of compensations as what already seen, any further discussion would be in the air.

The minimum rate of compensation should be fixed according to the Labour Standard Code. If the amounts which may be established by the social insurance system are not in accordance with the legal amounts, the real effort of guaranteeing payment would be in vain, would even create a worse condition for the beneficiaries of those compensations.

From the analysis of the level wages of manufacturing workers reviewed already, it will be clear that share in no possible fraction of wages which can be deducted for the purpose of social insurance. And, since we do not possess enough data, we cannot estimate the rate of contribution, which—in view of low wage level of general workers—may be paid by employers on behalf of the workers, for social insurance.

The calculation of the rate of contribution would need also some statistical study to ascertain the financial capacity of the large-scale firms.

Under these circumstances, a review of the Government Budget in relation to so-called social expenditure would seem relevant. Although the financial capability of the large-scale industries is difficult to assess, the Government Budget throw some light on it. We may, first of all, consider the importance of the social expenditure in the total budget. Table (15) gives a general view of revenues and expenditures of the 1958-Budget.

As shown in table (15), 45 per cent of Government revenue came from foreign-aids which is expressed in the item of counterpart-funds special account. The low proportion of the revenue through taxes should be acknowledged, which is only 35 per cent of total revenue. The outstanding fact on the expenditure side is that the expenses for national defence comprises 35



per cent of total expenditure. Another 30 per cent were spent for the economic rehabilitation by various special accounts. Only 32 per cent were used for general expenses. The three special accounts on the expenditure side of Table (15) are mainly concerned with the economic rehabilitation of Korea after the Korean War of 1950-1953.

The expenditure for social welfare occupies only 0.6 per cent of total expenditures in the Economic Rehabilitation Special Account. Health and Sanitation

**Table (15) Revenues and Expenditures of 1958**  
**Budget-General Accounts (in 100-Million Hwan)**

**Revenues:**

Taxes	1,244	35%
Monopoly Profits	199	6%
National Bonds	180	5%
Industrial Reconstruction Bonds	47	1%
Counterpart Funds Special A/C's	1,578	45%
Others	268	8%
Total	3,516	100%

**Expenditures:**

General Expenses	1,327	32%
National Bonds	43	1%
Industrial Reconstruction Bonds	46	1%
National Defences	1,242	35%
Economic Rehabilitation Special A/C	697	20%
Counterpart Funds Special A/C	321	9%
Transfer to Offic of Supply Special A/C	20	1%
Total	3,706	100%

Source: Annual Economic Review, 1959, *ibid.*, p. (I)-15

comprises only 1.8 per cent. Even in the General Budget of 1959, the expenditure for Social Affairs, Labour, and Health occupies only 3.9 per cent. <sup>21)</sup> These figures give us an idea about the social welfare activities of the government. So, how far can we increase the amount of social expenditure in the general budget is the fundamental problem for the future social policy of Korea.

**Table (16) Proportional Breakdown of Expenditures of Economic Rehabilitation Special Account in 1959**

Total	100.0%
Purchases and Handling of Aid Supplies	29.2%
Agriculture, Forestry & Fishing	29.6%
Transportation & Communication	28.4%
Education & Research	5.2%

<sup>21)</sup> Annual Economic Review, *ibid.*, P. (III)-96, Detail in Appendix.

Health & Sanitation	1.8%
Mining & Manufacturing	0.8%
Social welfare	0.6%
Others	4.4%

Source: Korean Economic Charts, 1959, The Bank of Korea, P. 26.

In the financial Circumstance of Korean Government, it is very difficult to increase the amount of social expenditure, mainly, for the relief of poor and unfavoured class. Furthermore, the expenditures of social affairs, labour, and health are mainly for the cure of social and economical evils resulting from the Korean war. The fact that the major part of government budget is financed through foreign aids and is spent for national defence makes things all the more complicated and reduces the possibility of paying more attention to welfare expenditure in the national budget.

Therefore, for the purpose of the introduction of social insurance measures the government subsidies can hardly be expected. However as we have seen throughout this paper, the number of regular workers in the large scale manufacturing industries is but a small proportion of the total work force. And, the insurable risks at the beginning may be limited to workmen's compensations. As indicated earlier, nearly 40 per cent of workers in large-scale industries are composed of woman labour which may hamper the introduction of social insurance measures. Nevertheless, it may be possible to include all the woman labourers regardless of their short service period. Since at the initial period, social insurance may not be concerned with any pension insurance schemes, the workmen's compenstion should be fully guaranteed by the public authorities.

As can be seen in most of the advanced countries, the contributions paid by the employers may be shifted to the workers in various forms. This may well happen in Korea, when the increasing productivity of labour is taken into account, that the contribution the social insurance by the employers may eased through the method of unpaid-wages which results from the increased productivity. It would not be difficult because the general wage is lower than those of large-scale industries.

Since on complete data are available, any statistical evaluation resulting from introduction of the insured form of workmen's compensation cannot be analysed here. In the present stage of economic development of Korea, any discussion of unemployment insurance would be unrealistic, because so many unemployed men and women exist without any productive employment, there are no statistics on the amount of unemployment. In general, everybody is employed and, at the same time, everybody is underemployed.

According to the estimate of the Bureau of Labour of the Ministry of Health and Social Affairs, in March 1957, the number of the unemployed were 502, 308.<sup>22)</sup> Nevertheless, the Nathan Report estimates the number of unem-

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<sup>22)</sup>Annual Economic Review, *ibid.* p. 10-13.

ployed at 1,752 thousands.<sup>22)</sup>

Since unemployment in Korea consists largely of disguised unemployment and of underemployment rather than of frictional or cyclical unemployment, various reports and statistics are showing the number of unemployed greatly differ from each other. For instance, the Bureau of Labour provides statistics very different from the figures quoted earlier.

### Number of Unemployed

1951	1,151,290
1952	1,265,280
1953	1,097,319
1954	1,326,205

Source: Quoted from Chungang Economic Review, Vol. X, 1959, Seoul, p. 132.

Therefore, unless a higher employment is achieved, no attempt of unemployment insurance would be successful. Unemployment insurance is concerned with employed workers who may lose their jobs through non-personal reasons. How to provide the workers who are thrown out of employment with jobs is a great question that calls our attention, but it is not a matter of social insurance.

In concluding, it may be said that at the initial stage of social insurance measures must be restricted to the workers in large-scale industries only, for which the insurance contribution should be paid by the employers—if possible, along with a possible subsidy from the government. Although it is not possible to get a complete view of the implication, the general tendency might be fully explored on the basis of available data. The narrow coverage of social insurance at its beginning need not concerns us. The real problem is a political and administrative one.

In any case, *the best approach to social security would be rapid economic growth which would increase per capita income of the people.*

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<sup>22)</sup>An Economic Programme for Korean Reconstruction, Nathan Report, 1954, New York p. 196.

**Number of Establishments and Employees in Manufacturing  
Industries by Size (Number of Employees) (1, 4, 1958-31, 3, 1959)**

	<b>Total</b>	<b>5-9</b>	<b>10-19</b>
Manufacturing	12, 971	7, 019	3, 192
	260, 427	44, 064	40, 969
Food Manufacturings	1, 473	777	404
	25, 687	4, 693	5, 150
Beverages	1, 340	912	313
	14, 665	5, 747	3, 928
Textiles	2, 801	1, 224	678
	86, 615	7, 685	8, 503
Footwear & Wearings	1, 102	790	231
	11, 310	4, 612	2, 904
Wood & Cork	940	593	251
	11, 554	3, 757	3, 292
Furniture & Fixtures	352	276	52
	3, 169	1, 643	670
Paper & Its Products	274	119	77
	5, 211	769	1, 077
Printing & Publishing	535	261	137
	13, 202	1, 943	1, 785
Leather & Its Products	58	35	12
	874	210	154
Rubber Products	120	39	18
	10, 766	255	221
Chemicals & Its Products	388	112	105
	10, 923	783	1, 439
Coal Products	521	375	104
	6, 386	2, 287	1, 306
Glass, Clay & Stone	1, 008	541	256
	19, 080	3, 201	2, 995
Basic Metal	249	74	75
	7, 764	511	1, 083
Metal Products	463	234	120
	7, 729	639	1, 549
Machinery	432	228	107
	7, 653	1, 510	1, 438
Electric Machinery	87	27	25
	2, 216	221	362
Transport Equipment	531	285	130
	9, 272	1, 820	1, 795
Miscellaneous	297	117	96
	6, 351	781	1, 831

Upside Figure : Number of Establishments

Downside Figure: Number of Employees

20-29	30-49	50-99	100-199	200-499	500-999	1,000
1,086	831	518	210	89	16	10
24,506	30,365	33,880	28,555	27,002	11,034	20,052
143	70	38	33	6	2	—
3,045	2,368	2,472	4,730	1,752	1,477	—
55	36	16	5	3	—	—
1,258	1,258	1,052	693	729	—	—
310	300	183	62	30	4	10
6,940	10,841	12,011	8,449	9,328	2,806	20,052
33	26	13	6	3	—	—
745	970	625	883	571	—	—
56	22	11	3	4	—	—
1,314	812	799	367	1,213	—	—
13	6	5	—	—	—	—
306	225	325	—	—	—	—
32	30	12	3	1	—	—
811	998	793	442	321	—	—
44	31	40	15	6	1	—
1,142	1,238	2,569	1,966	1,916	643	—
3	3	5	—	—	—	—
66	106	338	—	—	—	—
10	13	10	14	9	6	—
244	525	799	1,675	2,847	4,200	—
66	54	36	11	3	1	—
1,489	2,003	2,323	1,431	948	507	—
13	10	12	5	2	—	—
292	398	774	674	655	—	—
86	55	41	18	10	1	—
1,864	1,914	2,888	2,455	3,084	789	—
39	27	24	5	4	1	—
869	1,024	1,655	655	1,355	612	—
47	34	23	4	1	—	—
1,078	1,292	1,373	597	204	—	—
41	32	14	8	2	—	—
932	1,255	906	1,037	605	—	—
14	13	4	3	1	—	—
318	607	230	247	231	—	—
48	41	20	4	3	—	—
1,140	1,605	1,221	628	1,083	—	—
33	28	11	11	1	—	—
713	956	727	1,626	230	—	—

Source: Unpublished Statistics Compiled by The Korean Reconstruction Bank.