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Soviet Wage Reform under "Perestroika"

Sadayoshi Ohtsu

(Preface)

Gorbachev's "perestroika" programme is surely the most ambitious attempt ever seen in the past years to radically reform the Stalinist socio-economic structure of the Soviet Union. At the same time, because of its "revolutionary" nature, it faces fundamental difficulties. Among the reform strategies and the difficulties, involved "labour" is considered to be one of the most serious problem areas. There are problems not only with its low discipline and productivity but also with its "culture", alien to competition and sometimes hostile to market mechanisms, which are now commonly recognized in Soviet society as problems of the "human factor".

The aim of this paper is to present an overview of recent Soviet attempts to reform the wage and incentive system and make a temporary assessment of the policy-mix in connection with the Gorbachev's perestroika programme. The assessment is deemed to be "temporary", because the wage reform is still in process as one of the driving wheels of the whole "perestroika". After a glimpse at the background, we go into the contents of policy targets and then examine some of the major problems facing the policy makers.

I. Background, Directions and Experiments

I-1. Background

The Soviet wage system has achieved, compared with some of the advanced market economies, a considerable attainment. It created a tariff system which guarantees fair distribution according to job, has banned non-labour income, supplies the population with "civil minimum" free through social consumption fund, etc.. But on the other hand, under the long lasting stagnation, this kind of "advantage" of socialist distribution principle is seriously at stake, because low growth and lack of technical innovation, so crucial in modern economies, are considered to be closely connected with this very principle of socialist distribution. But attempts for improvement have also been made.

In the post war period, the Soviet economy saw large scale wage reform twice, first in the Khrushchev period (1956-60) and secondly under Brezhnev (1967, 1972-75)¹. In the former, the newly established Goskomtrud took over the power of wage setting from ministries and did much to coordinate uniform wage rates for the same job. As a result, wage differentials were greatly narrowed both on the scale table and in terms of real earnings. For instance, the number of skill-grades ("razryad") was reduced from 8 to 6, and the difference of basic rates between the lowest and the highest was cut down from 1 to 3,5 to 1 to 2 (in the case of machine building sector). In the latter case, on the one hand, the minimum wage was increased, from 40-45 to 60 rubles per month in 1967 and farther up to 70 in 1975, and on the other, nominal differentials were kept at the same level, mainly out of fear of inflation.

Consequently the differentials in real terms narrowed. As is clearly seen from FIGURE 1, all these process resulted in the cumulative decrease in the differentials particularly between manual workers and technical personnel. Surprisingly, in construction sector, not narrowing but the reverse of the differentials took place in 1985. This is one aspect of the problems of the so-called wage-levelling ("Uravnivovka") which has long been regarded as a neces-

sary product of the socialist distribution principle. But, at the same time, “down with Uravnilovka” has also long been a common slogan and policy target since Stalin. Nevertheless it has survived decades².

The “narrowing” itself is not negative for the workers’ state. But the real evil is the lack of incentive among all the workers and technical intelligentsia alike. Coupled with basic wages, the poor organization and implementation of the material incentive system are working still more destructively upon work morale. Hence the vital need for “radical” reform of the wage system. Now the question is ; what kind of reform and dose it come right at the third attempt ?

1, As for the Khrushchevian reform, detailed analysis is given by L. Kirsh¹, and for Brezhnevian “reform” see J. G. Chapman³ and A. McAuley, *Economic Welfare in the Soviet Union*, the University of Wisconsin Press, 1979, although the latter two specialists on Soviet wages give somewhat different interpretations.

2, To answer the question why ?, we need separate examination. I myself touched upon it partly in^{6a} p. 146–148 and as for one type of explanation by a Western Sovietologist, see for example Peter Wiles².

I-2. Basic Directions and Method of Implementation.

The decree of 17th of September 1986 adopted jointly by CC CPSU, SM USSR, AU-CCTU, “On the improvement of organization of systems and the introduction of new tariffs and salaries for those working in the productive sectors of the national economy”^{8a}, promulgates the following four basic directions of wage reform ;

1) to raise the tariff rates for about 75 million workers in the productive sector up to 20–25% and the salaries for the engineers up to 30–35% in the 12th plan period starting from January 1987.

2) for the purpose of raising incentive, to increase the number of skill grades (from 6 to 8) and widen the differentials of basic tariff rates between the 1–st (lowest) and 8–th (highest) (from maximum 1 : 1,8 to 1 : 2). And in some priority sectors like machine-building and electronic-related industries, the basic rates are also preferably raised.

3) to stop the “unanimous reform”, i. e. firms are allowed to adopt new wage system only after deliberate preparatory works have been done and it is made possible financially ; the transition process is important.

4) lastly, funds for wage raise must be earned by the workers themselves, i. e. no state funds are allocated : in order to earn the money, enterprises are told to tighten work norms and rationalise work organization to save labour resources.

Before going into the examination of feasibility of this sweeping reform plans, we examine an earlier experiment, as the Soviet policy makers often do, to show the validity of the new policy.

I-3. The Belorussian Railway Experiment 1986–1987

The Belorussian railway (with 100 thousand workers and 5540km of track), launched an experiment from July 1985 and in one and half years time raised the labour productivity by 32%, workers got higher wages by 22,4%, but at the same time some 13 thousand workers were dismissed and transportation cost was reduced by 5,7% taking 1983 figures as a base³

3, see¹⁴. *Socialist labour*, organ of NII Truda, carries series of reports and articles on Belorussian Experiment in the issue of No. 2,1987. Descriptions that follow are dependent on

this source and³³.

The experiment could fairly be assessed as an outstanding success in the light of this company's miserable business performance in the past years. In the past two Five Year Plan periods, the railway could not achieve the basic plan targets. The planned increase of volume of freights for the 10th FYP period was 22% but the actual result was 6,3%. As for 11th FYP 15% and 8,2% respectively. As for the labour productivity, 18–20% increase was planned for the 10th FYP, whereas actual achievement was 0,5%, and for 11th FYP 10–12% and 8,3% respectively. In a clear contrast to this, the increase of average wages were "realized" as high as 18,6% in the 10th and 12,8% in the 11th FYP period, by far higher than the increase of labour productivity. As for the reasons of wage increase, more detailed considerations will shortly be given. The question is: why the amazing results including the reduction of the workforce by 13 thousand personnel were made possible under the experiment? The secret lies perhaps in the rationalisation of employment, in the liquidation of over-manning.

The rationalization of employment, according to the Afanasiev report, proceeded mainly on three lines. The first is the improvement of the technological base, reduction of 36,4% of manpower was due to this first factor. The improvement was made possible by the automatization of railroad crossings and the levelling up mechanization in the wagon-safety-check system etc. which were envisaged in turn by huge amount of investment intended for the technical renovation and modernization (70% of capital investment) in the previous 11th FYP period. But by far greater effect was produced by the improvement of labour organization which did not require money. These included the adoption of one-man-system of freight train driving, widening the area of job-combination, strengthening of the work-team (brigade) system, overhauling the work-norms (which amounted to 47 thousand), and so forth.

Lastly the improvement of the train movement control system was achieved mainly by centralization of administrative line, abolition of five depot stations, restructuring of departments and sections, which made it possible to separate surplus labour. These improvements made possible large savings in the wages-fund and to provide the company all from its inner sources with the money necessary for wage increase.

As a result, there was seen a great change in the payment system, skill-grades were raised from the average level of 3,34 to 3,46, minimum wage-rates were increased, the monthly salaries of technical and managerial personnel were up by 25% to 30% on an average, wage differentials between the lowest and the highest rates were widened from earlier 120–165 rubles to 150–230 rubles per month (depending on the profession). And out of those separated or dismissed, 40% became pensioners, 39% were offered another job in the same enterprise and the rest transferred to another department in the same railway organization.^{Cf. 14}

As for other examples of successful cases, the Leningrad machine building association of five enterprises were widely publicised, where, as a result of similar experiment, 118 sections were abolished and some nine thousand engineers were dismissed. These achievements were praised by General Secretary Gorbachev in his political report to the 27th party congress in March 1986.

These successful experiments, together with other preparatory researches and investigations by specialist labour economists into the opinions among management as to the desirable wage reform procedures (see for instance, *S. T.*, 1986–9), obviously contributed to the working out of the decree. But what is noteworthy here is the fact that the Belorussian experiment, above all, seems to have been used as a sort of "pilot case" specially designed for campaign from its very start and even before the final stage of experiment, a nation wide publicity

about its success was made in the press, see for example a series of reports in *Trud*, 3rd and 5th of August 1986 issues.³³ And the year 1987, as we see below, became an epochmaking year for the railway business in the whole country in the reduction of manpower reached some 280 thousand²⁵, a “super rationalization” of employment was realized. At the same time, it must be remembered, the number of reported railway accidents⁴ seems to have increased rapidly since around this year. It is, however, hard to establish a cause and effect relationship with this “super rationalization”.

4. Among other, as far as the reports, the following accidents described as catastrophic ones happened ; at Kamensk station in Rostov Region in August 1987 (*Trud*, 8–12, 8–16), at Ruisboro in January 1988 (*Trud*, 1988–1–6, 1–15, 6–4), at Jaroslavr Bridge in February (*Trud*, 2–9) and at Almazas station near Gorkii in June (*Soz. Industrija*, 6–7). Vice Minister of transportation appeared at press interview on safety problems and reported on fourth accident within half of this year (*Trud*, 6–25).

I-4. Estonian Model–Territorial Strategies for Implementing Wage Reform

Estonian republic could be seen as a model case for working out wage reform programme on the basis of republican framework. They declared to accomplish the reform in the year of 1987 and to establish a sort of “regional reform model”.

Republican Council of ministers and Central Trade Union Councils passed a joint decree dated July 1986, which preceded the national level decree by two months, whereby following principles were established,

- 1) Simultaneous shift to the new wage system of all branches and enterprises found within the republic, (it was considered feasible to avoid unnecessary labour turnover) ;
- 2) Greater concern for social justice, in particular, improvement of the regional differentials of income ;
- 3) Priority for the construction sector ;
- 4) Regional macro economic balance ;
- 5) Socially flexible use of labour resources, more use of periphery labour ;

In September 1986, concrete measures were taken, i. e. ; working groups were formed jointly by ministries and departments ; seminars and conferences were opened for involving economic cardles of party and organizations. Consequently, already in January 1987, some 4,500 employees were working under the new wage system and in February 34 ministries and departments (involving 600 thousand employees) issued their programmes of reform.

From the financial point of view, by the assessment of the working group, for the shifts to the new wage system some 75 million rubles were necessary, out of which, 65 million rubles were held sure to be provided, already in February, they are broken down as follows (in million rubles) ;

(Table 1.)

By saving the wage fund planned for 1987	8.6%
By raising labour productivity, reducing costs and employment	29.4%
By increasing volume of out put and sales,	3.1%
By improving the wages structure	17.2%
By transfer of wage fund saved in the previous year	4.5%
By partially utilizing material incentive fund	2.2%

([13])

Some difficulties are pointed out ; because of the managerial structures, transfer measures are more difficult in the case of all union enterprises than republican enterprises, i. e. the normatives for wage fund determination, which is set by the ministries separately, are too low to function as an incentive, but it is not allowed to make amendment on the republican level.

II. Implementation of New Wage System and Developments in 1987

II-1. Legalization and Documents

Soon after the adoption of wage-reform decree^{8a} in October 1986, at the November Plenum of Central Committee of CPSU and Supreme Soviet, radical reform movement took the momentum of the time, followed by reform oriented legislation. Since then, through to the June Plenum of CC CPSU in 1987, "grand vision" of politico-economic reform was in preparation which culminated in the adoption of "Soviet Law on State Enterprise" and "Basic propositions for the Economic Reform". "Perestroika" was accepted as having passed a "point of no return". Legislation and issuing of decrees followed on basic matters like "banking and finance", "whole sale instead of state material-technical supply", etc. one by one but very quickly, which gave an impression of big "legalization tide".

On the wage reform front, Goskomtrud (State committee on labour and social problems), jointly with the secretariat of AUCCTU (All-Union Central Council of Trade Unions), issued, with unusual speed, a series of administrative documents like model statutes and recommendations⁵, which are of vital necessity to the individual enterprises and shopfloors to initiate wage reforms. Mr. Gratky, Chairman of the Goskomtrud USSR, stated, in an interview to the "Trud" news paper editor⁶, that the number of enterprises which transformed to the new wage system was 1700, the number of workers and employees involved were two million as of June 1987 and predicted that towards the end of the year the number of enterprises working on the new system will reach 14,700.

5. see S. T., Nos. 1987-1, 2, 3, 4

6. *Trud*, 1987-6-20,

II-2. Developments in (Lower-Volga-Petroleum)

Among large enterprises transferred to new wage system, according to his statements, the Volga Automotive Factory (BAZ), Electro-Mashi (Kiev) were prominent and among others Nizhni-Volgsk-Niefti (Lower-Volga-Petroleum) was highly praised as a good example of enterprises with deliberate preparations for transformation and as a result with best possible effects. Let's have a glance a little bit more closely at the latter case.

Given a strong impulse by the success of the Belorussian Railway, the Association of Lower-Volga-Petroleum launched a similar wage reform programme from November 1986. The result was a great success, giving literally "more production, with less employment". The State Committee of Labour and Social Problems of the USSR adopted a special resolution^{8c} to applaud the initiative of the company and to award the banner of Rising Red Star and commemorate the wall of the National Achievement Exposition (VDNKH) in Moscow. In the second half of the year 1987, this success was widely publicized through mass media and the company became a sort of hero like the Shchokino Combinat in the late 60's and early 70's.^{29,30}

According to the introductory description in the resolution, the association consists of 30 factories and organizations with an overall work force of more than 11 thousand, engaged in

drilling oil wells, extraction and transportation of crude oil and natural gas, development of oil refining sites and related business, located in the region of Volgograd and Astrakhan and in the Kalmyk Autonomos Republic. The association started its preparatory work for the wage reform already from February 1986 and the introduction of the new wage and salary system began in November. The actual business performance was breathtaking. In the period of the year of 1987 the association overfulfilled almost all basic plan targets which had not for a long time been fulfilled before the wage reform. The plan and actual achievement in 1987 are briefly illustrated below ;

With these positive results in business performance, the association made a great upsurge in labour productivity, in reducing employment of by 1447, in raising basic wages of about 3, 9 million rubles.

The fund for raising basic wages was to be secured by the following measures ; (in thousand rubles)

The dismissed 1447 persons (14,5% of the total employment) were, according to the previous categories, 1131 workers (14,5%), 316 managers, specialists and employees (14,4%).

The major directions of introducing the wage reform and also reorganizing the work systems were by examining the existing work-norms by a photo-chronometrical method and comparing the results with actual fulfillment rates in almost all work places. As a result, the share of "technically based" work norms went up to 99,2% and the norms were raised by an average of 15,2%.

The break down of the number of those dismissed by the method employed ;

(Table 2)

	PLAN	ACTUAL
Extraction of oil, (thousand ton)	3,100	+66
Extraction of natural gas (million m ³)	826	+165.5
Boring in extracting area (thousand m)	66	+7.5
Boring in exploration area (thousand m)	110	—
Profit (million rubles)	—	+4.9

(Table 3)

By the improvement of management and reduction of employment	2404	61.2%
By examining work norms and piece-rate	743	18.9%
By normalizing the increments and additional payments	382	9.7%
By improving stimulating labour	321	8.2%
By normalizing qualifications and tariffs	—	—

(Table 4)

By improving the work norms	211
By attestation and rationalization of work place	119
By improving brigade system of work organization	133
By normalizing the combination of profession	285
By introducing new machines and technology	328
By other measures	

(Table 5)

Those became pensioners	306
Those reemployed to vacant places or newly opened places	238
Those separated by their own accord	108
Those transferred to other enterprises	736
Those dismissed on grounds of redundancy*	59

* (уболены по сокращению штатов), all figures are from [8c]

Those dismissed 1447 were all transferred to other jobs or retired to become pensioners, they are broken down as follows ;

II-3. Problems, Complaints, Criticisms.

Notwithstanding the positive results illustrated above, there do exist difficulties, without doubt. Before we examine in detail these difficulties in the process of implementing the reform in the following three sectors, we listen to the Chairman Gradkii's report once more and look for the figures which indicate the development of the reform attempts.

One of the crucial problems, as he points out, is the fact that efforts to realize wage reform were poorly coordinated among ministries and departments. Enterprises with ties to State Agricultural Committee (Gos-agro-prom) had not even worked out the programme for wage reform. Further, among the majority of managers the essential aim of the reform were not properly understood, most of them accepted it as an automatic wage-hike as it used to be in the past. Some of them raised salaries of engineers and managers first, which stimulated hostile responses to the wage reform and eventually to perestroika in general among rank and file workers. The chairman warns that no country allows wage rise when there is no improvement in labour productivity and work morale.³⁰

His complaints about the poor involvement of the trade union committee is confirmed by another research. In order to investigate the situation of trade union activities, a survey⁷ was carried out by the Research Center of the AUCCTU (time is not indicated but perhaps in the Autumn of 1987). According to it, only eight percent of all the questioned trade union activists answered prepared to respond to the possible conflicts in the process of introduction of new wage system, one sixth of them didn't even know when to start, about half had only vague understanding of how to raise the fund necessary to raise wage rates. The reporter concludes that the results suggested that serious steps for the wage reform had not so far taken place in the sphere of trade union movement.

7. see *Trud*, 1987-12-16, You want to earn more, do it!¹⁹

At the December Plenum of AUCCTU 1987, the Chairman Shalaev reported that the number of workers and employees transferred to new wage system was only 13 million. He strongly criticized a number of cases involved in improper and some times an illegal practice in the process of introduction of new wage system on the plant level, such as simultaneous reduction of skill grades for all workers without proper grounds. He cited a letter of a worker of Narofomin Mechanization Control Center No. 3 of Moscow Regional Construction office which reads "In our shop all of the workers' skill grades were down by 2-3, the management says it is necessitated by a new code but none of us knows about the existence of such documents". The chairman complains about the same situation observed in Sverdlovsk, Chelyabinsk and many other cities. As for reasons and cases for these problems, we go into detail

in the following three sections.

To what extent the new system has so far prevailed, is answered by the following table ; the figures are collected from different sources and the date of calculation is not always clear. Nevertheless, the "statistics" tell roughly about the size⁸. One wonders here not quite about the quality of "new system" but rather about the relatively quick achievement of 50% at the time of middle of 1988, where final 100% was decreed to be achieved in 1990. Again play of figures ?

8. There is also a problem of definition of "dismissals", the Russian counter part is "высвобождение (freeing)" or "убольнение (resignation)". These words do not always mean actual dismissals or separation have taken place. In other words, there are cases where by these are meant formal liquidation of posts which were not filled actually because of, for example, labour shortage. But in the "statistics" the difference is not always clear.

III. Financial Resources to Raise Wage Rates...Obstacles for the reform

In order to start with wage-reform, enterprises are told, under self-financing principles, to look for extra fund for raising the basic wage rates, i. e. stavka for about 20–25% for workers and 30–35% of monthly salaries for engineers and personnel as prescribed by the decree. Because these are basic rates, they form the wages fund and consequently they can't normally be financed from the profits earned, from the ministerial funds either as was often the case with earlier wage reforms. Managers are now obliged to earn extra money either by increasing the volume of production (and / or sales) or by saving wages fund by cutting the labour force. This is the first thing among others for the managers to consider about wage reform.

A survey carried out by Goskomtrud²⁵ shows what kind of measures are generally taken by the management ; (see table 7, the date of research is not specified but perhaps in 1987, the first year for wage reform as a whole).

(Table 6)

Development of new wage system, reported in different sources ;

Reporter	date	number of enterprises	number of employees(%)	Source date
Gradkii	87- 6 -20	1700	200	Trud, 6-20
estmt	87-12-31	14700	—	Trud, 6-20
Gavrilov	87-10- 3	4000+	300+	Trud, 10-3
estmt	87-12-31	15000+	1000	Trud, 10-3
Shalaev	87-12-13	—	1300	Trud, 12-13
Pravda	88- 1 -24	2608	(37,4%)	Pravda, 1-24
Izvestia	88- 5 -31	3702,7	(51,5%)	Izvestia, 9-3

(Table 7)

By savings of wagefund or through increase of output	26%
By raising labour productivity and improvement of management	25%
By improving work norms	25%
From material incentive fund	10%

For the profitable enterprises, these targets are not hard to achieve. But for enterprises constantly with deficits it is simply unconceivable to make "extra" money, they are mostly dependent even for the payment on present wage-rates on the ministries. Notwithstanding, they are pressed to introduce wage reform. What happens?

In order to finance the wage rate increase, a sort of black hands were found in use at the 2nd Mamanov Textile Factory in Ivanovo Region. According to the news report, the management of the factory reported the use of workers in harmful and / or heavy manual labour which are entitled to additional compensation money. Workers did the work but were not actually paid and the money was kept to finance the tariff rate increase for the workforce at large. Similar incidents were observed in other enterprises belonging to chemical and electronic industrial ministries in the same region. The author hints at a grave irresponsibility on the part of trade union officials for ignoring or even secretly supporting the legal misconduct by the management of the enterprises⁹. This kind of crude manipulation of the rules on the part of both management and union may easily lead to popular mistrust of the wage reform in general on the part of workers.

9. cf.¹⁹ Trud, 87-12-16, Tren'enkov's article.

Other examples of the use of dirtytricks are reported in an interview¹⁰ to Mr. Turysov, the secretary of AUCCTU. He refers to many cases where the enterprises, with the shortage of fund to raise tariff rates, increase the planned number of Saturday work weeks particularly for those workers who work three shifts. For instance, at the Bryanskii machine-building factory and Bezhitskii steel and casting works, the management reported 21 days of planned working Saturday for three shift workers, whereas for those working two shifts only 8 days. By this arrangement, compensation money both for third shift (+40%, for the second shift +20%) and for Saturday work (overwork payment) could be "earned extra" on the wages-fund calculation and workers did not receive the entitled compensation money (this is of cause illegal). These are being far from exceptions, with similar cases found at RTI Factory in Tractor Factories in Kharikov and Volgograd as well.

10. See Izvestia, 1988-6-2,²¹

Apart from the above mentioned "unexpected" problems, another more basic problem comes to mind, although Soviet economists mostly ignore it, namely: once you raise base rate wage, you must continue it. But oddly enough, measures taken, as far as mentioned in the literature, for making funds necessary for raising wage rates are mostly of once-and-for-all nature. For instance, in the case of "Lower Volga Petroleum", nominated as one of the most successful cases, up to 80 percent of the money were obtained by "improvement of management and reduction of employment" and "exmination of work-norms and piece-rates" (see table 3). For the next year, needless to say, a new source of revenue must be sought to keep at least the same payment level.

IV. Attestation of Skill Grades and Work-norms,

Wage reform programme places heavy burden on the shoulder of the management to rationalize the work organization. This includes two major problem areas, one is the examining the existing skill-grades ("razryad" problem), the other is adjusting work-norms: both of them might trigger workers' unrest.

Before entering the "arena of the battle", we have to look at the basic structure of the Soviet wage payment system, which consists of two elements or phases, 1) "tariffication", and 2) "norm setting",

IV-1. Manipulation of skill-grades.

Tariffication is the process of identifying a worker's skill-grade ("razryad") and corresponding base wage rates ("stavka"), based upon centrally defined manuals so-called "tariffs and qualification directory". The current state of distribution of workers according to the "razryads" is illustrated in (table 8). The proposed wage reform, as was shown in section I-2, intends to increase the number of "razryad" (in the majority cases of industry, from 6 to 8, in construction from 4 to 6) and to increase the base wage rates ("stavka") by 20-25% for workers and 30-35% for technical personnel on the average.

Increasing the number of "razryad" and revising the "tariffs and qualification directory" (so-called TKS) is mainly the task for central research organs like NII Truda SSSR. New tasks for the management, on the individual enterprise level, are to examine the current qualification and real skill grade of individual workers according to the new directory and make

(Table 8) *Distribution of workers according to qualified skill grades, 1979-1985*

I. Mining & Manufacturing										(%)
Year	Sys. sk. gr.	I	II	III	IV	V	VI	VII	VIII	average
1979	6 gr. sys.	6.0	20.3	23.2	22.5	16.5	6.2	—	—	3.42
	8 gr. sys.	1.9	9.6	23.2	24.5	26.1	12.1	1.4	0.1	4.07
	a	1.8	9.5	23.4	25.2	26.2	12.4	1.4	0.1	4.08
	b	1.1	12.5	18.2	27.2	32.5	8.5	0.0	0.0	4.03
	c	2.3	11.4	25.7	28.5	21.3	8.8	1.9	0.1	3.90
1982	6 gr. sys.	4.9	18.3	28.0	23.4	18.1	7.3	—	—	3.53
	8 gr. sys.	1.6	8.4	22.9	25.3	27.5	12.9	1.3	0.1	4.13
	a	1.5	8.1	22.6	25.1	27.9	13.3	1.4	0.1	4.13
	b	1.1	8.6	19.3	28.1	34.0	8.8	0.1	0.0	4.12
	c	2.3	13.9	28.0	26.9	19.6	8.0	1.2	0.1	3.77
1985	6 gr. sys.	4.1	16.8	27.9	24.1	19.0	8.1	—	—	3.61
	8 gr. sys.	1.4	7.7	22.4	25.5	28.1	13.5	1.3	0.1	4.18
	a	1.3	7.2	22.1	25.3	28.6	14.0	1.4	0.1	4.20
	b	0.6	7.8	19.7	28.2	34.7	9.0	0.0	—	4.15
	c	2.5	13.7	27.3	27.5	19.8	8.2	0.9	0.1	3.77

Abbr. syst. = system, sk. = skill, gr. = grade

a=iron & steel, b=mining & refining ironore

c=mashine building & metal work

Source, Vestnik Statistiki, 1979=1980-6, p. 63, 1982=1983-6, p. 68, 1985=1986-7, p. 75

II. Construction

II. Construction									(%)
Year	Sys. sk. gr.	I	II	III	IV	V	VI	average	
1979	6 gr. sys.	3.6	13.1	25.1	26.8	19.5	12.0	3.81	
1982	6 gr. sys.	3.0	11.9	23.6	27.5	20.7	13.3	3.91	
1985	6 gr. sys.	2.6	11.1	22.8	27.9	21.6	14.0	3.97	

Source, the same with I

necessary adjustments. These involve troublesome and painful job for the management, because in many cases workers, particularly piece rate workers in labour shortage areas and professions, hold inflated "razryads" and therefore the management must persuade the worker to accept the lower real ones which cause wage-cuts. This is why the decree specifically demands the "democratic" principle be applied in the preparation for reform programme, i. e. to avoid possible conflict, more involvement of trade union activists and workers themselves. Needless to say, even more serious difficulties for management, as we have already seen in the previous section, are to seek the money for raising the "stavka" but this job is nonetheless not easy as we see in detail shortly.

IV-2. Raising the work norms

The second task which the management faces is the examination of work norms of the individual workers. Norm-setting is a different process from "tariffication" because the volume of work an individual worker must perform could be different among the workers with the same qualification and "razryad", depending upon the concrete technical-organizational conditions of the shops. Workers choose, first, the forms and systems of payment (piece or time-rates and simple or premium system. (table 9) shows the actual state of distribution in the past twenty years). Then the norm-setter, a specialist on the floor, assigns the volume of work to each worker according to his payment system. So-called "Scientific Organization of Work (NOT)" has been an attempt to give this norm-setting process a more technically well-grounded uniform base but it has so far been largely unsuccessful. Officially, when a new technique is introduced to the plant or the work organization is amended, the norms of the workers must be changed ("peresmotret") accordingly. But actually these "peresmotr" take place quite sporadically¹¹. Now, under the wage reform tide, managers are told to revise (i. e., raise) the work-norms of the workers, which mostly mean confrontation with them.

11. See²⁸. R. Grigoriyants, Use of work force in sectors, S. T. 1985-11, p. 101, The research on the enterprises within the Ministry of food production of the USSR shows that about one third of workers fulfil the worknorms more than 20%, those workers who did revise work-norms in 1984 counted 3,1 percent of the wholework force, and it is estimated that, with this pace of revision of work-norms, another 40 years will be needed in order to finish the revision process for all the workers.

These efforts to rationalize the work organization are now commonly called "attestation of the work place" and the wage reform, as is widely propagated, must be carried out in close combination with "the attestation of work place". Otherwise, naturally, the wage hike might end up without any productivity hike. This is, as is easily understood, a real battlefield for both the managers and workers, and the success and failure of this whole wage reform programme depends principally on the possibility of change of this very core of the Soviet industrial relations.

Inadequate situation concerning work-norms is well known. Scientifically grounded norms are still not dominant (well, reported figures of the share is very high but only on paper) and the revision, necessary to keep up with the technical progress, tends to falling behind. As a rule, a new work-norm is applied to the newly set up work places, whereas, in the old shop floor, old norms are remaining untouched. Under the situation where the slack work-norms prevail, piece-rate workers can easily earn extra money by overfulfilling work-norms. Unfortunately statistical data on the rate of overfulfillment of norms, which is commonly used as an indicator of work-norm related problems, are very scarce (the recently available one is (TABLE 10)). There are, however, abundant specialist testimonies to suggest the truth of

(Table 9) *Distribution of workers according to the forms and systems of payment, 1965-1985*
 Forms = Piece & Time Rates ; Systems = Simple, Premium & Progressive

I. Mining & Manufacturing

(As of Aug. 1)	Piece Rate	Simpl	Premium	Progressive	Time Rate	Simpl	Premium	Vest. Stat. Year, Month. P.
1965	57.6%				42.4%	4.6%	37.4%	Trud v SSSR
1965		23.2%	34.1%	0.3%				1968, p. 149
1969	56.6%				43.4%			1980-6, p. 67
1969		15.8%	40.5%	0.3%		2.3%	41.1%	..
1972	56.8%				43.2%			..
1972		13.7%	42.8%	0.3%		1.7%	41.5%	..
1975	56.2%				43.8%			1983-6, p. 63
1975		10.0%	46.1%	0.1%		1.7%	42.1%	..
1979	54.4%				45.6%			..
1979		4.0%	50.4%	0.1%		1.5%	43.1%	..
1982	54.1%				45.9%			1986-6, p. 69
1982		3.1%	50.8%	0.2%		1.0%	43.8%	..
1985	54.3%				45.7%			..
1985		2.3%	51.9%	0.1%		0.9%	44.8%	..

II. Construction

(As of Aug. 1)	Piece Rate	Simple	Premium	Progressive	Time Rate	Simpl	Premium	Vest. Stat. Year, Month. P.
1965	84.9%				15.1%			Trud v SSSR
1965		71.2%	13.7%	—		6.4%	8.7%	1968, p. 148
1972	81.3%				18.7%			1983-6, p. 68
1972		38.6%	23.9%	18.8%		6.1%	12.6%	..
1975	80.7%				19.3%			1986-7, p. 75
1975		32.9%	28.0%	19.8%		5.4%	13.9%	..
1979	80.1%				19.9%			1980-6, p. 67
1979		27.7%	33.2%	19.2%		4.3%	15.6%	..
1982	80.4%				19.6%			1983-6, p. 68
1982		26.6%	31.3%	22.5%		3.7%	15.9%	..
1985	81.0%				19.0%			1986-7, p. 75
1985		23.7%	31.2%	26.1%		3.1%	15.9%	..

(Table 10a) *Average Norm Fulfillment Rate (%) by Piece Rate Workers in Soviet Industry, 1974-80*

(%)					
1974	1976	1977	1978	1979	1980*
131.8	118.8	119.6	120.1	120.3	121.2

Source, Velkin=Volkonski, in *Eko*, 1982-10, p. 111

(Table 10b) *Norm Fulfillment Rate in 1987 by Branch of Industry*

	Average	Grouping of workers by rate of fulfillment				
		-100	100-110	110-130	130-	
1	128.2	5.5	25.7	30.3	38.5	1 = All industry
2	121.7	12.3	31.6	28.5	27.6	2 = Fuel-energy complex
3	116.4	5.2	47.7	28.1	19.0	3 = Metallurgical complex
4	135.4	3.2	16.6	31.5	48.7	4 = Machine building complex
5	126.0	5.6	23.7	34.5	36.2	5 = Chemical-wood complex
6	124.7	5.7	32.6	29.7	32.0	6 = Agro-industrial complex
7	125.4	3.9	31.4	30.6	34.1	7 = Ministry of light industry
8	124.9	7.6	29.3	29.9	33.2	8 = Ministry of construction material
9	129.3	3.7	23.2	30.9	42.2	9 = All construction

Source, *Sotsialisticheskii Trud*, 1988-5, p. 58

the situation (see for example^{20a}).

The payment of an overfulfillment bonus is necessitated by the tight labour market situation, i. e. to tackle chronic labour shortage. Whereas employees and technical personnel, who are paid mostly by fixed monthly salary, have quite limited possibilities of earning incentive bonuses, mostly tied with specific targets and measured over a long time period, like a year. So these have a very weak incentive function. These inadequacies in the incentive system are one of the causes of "Uravnirovka".

As we observed in the earlier section, the process of constantly diminishing differentials between manual workers, technical personnel (ITR) and employees, can more closely be observed in the (TABLE 11) (note the value of a / b). What happened was not only the narrowing but also a reversal of the differentials. In construction sector, in 1960 workers earned 89,2 rubles a month and ITR earned 139,9 rubles, but in 1985 the earnings were 245,3 rubles and 239,7 rubles respectively. There is, surely, nothing unfair in the fact that some manual workers earn more by working harder than some lazy university graduates. But the fact the average, this is important, monthly salary of the leading engineers is less than that of manual workers is also surely destructive to the work morale of the personnel who are normally held responsible for the introduction of the new techniques and innovation on the shop floor. Against this background, now the widespread complaint could easily be understood that substantial number of technical intelligentsia¹² are working in the workers' profession simply because they can earn more. No need to remind the reader of the great loss of human capital investment both to the individuals and to the society as a whole. This reversal will also hap-

(Table 11) *Soviet wage statistics 1940–1985*

Average monthly wages in rubles in selected branches and wage differentials between workers and engineers (a/b)

	1940	1960	1965	1970	1975	1980	1985
National economy	33,1	80,6	96,5	122,0	145,8	168,9	190,1
Industry	34,1	91,6	104,2	133,3	162,2	185,4	210,6
of which workers	a1	32,4	89,9	101,7	130,6	169,0	211,7
engineers	b1	69,6	135,7	148,4	178,0	199,2	233,2
employees		36,0	73,8	85,8	111,6	131,3	164,6
a1/b1		0.46	0.66	0.68	0.73	0.84	0.9
Agriculture	23,3	55,2	75,0	101,0	126,8	149,2	182,1
Sovkhoz, workers & employees of which workers	a2	22,0	53,8	74,6	100,9	126,7	149,2
engineers	b2	20,7	51,9	72,4	98,5	124,7	179,7
employees		50,4	115,5	138,4	164,3	179,4	185,5
a2/b2		31,1	65,7	82,3	95,6	114,0	122,8
a2/b2		0.41	0.45	0.52	0.60	0.69	0.80
Construction	36,3	93,0	111,9	149,9	176,8	202,3	236,6
construction & installation		34,0	92,4	112,4	153,0	181,1	204,5
of which workers	a3	31,1	89,2	108,4	148,5	180,3	207,9
engineers	b3	75,3	139,9	160,7	200,0	207,0	212,9
employees		45,8	90,3	102,4	136,8	145,8	148,0
a3/b3		0.41	0.63	0.67	0.74	0.87	0.97

Source, Narodnoe khozjaistvo SSSR v 1985, p. 379, except for the year 1965, do. 1975, p. 546

pen in the industrial sectors before long, unless proper anti-narrowing measures be taken and implemented effectively.

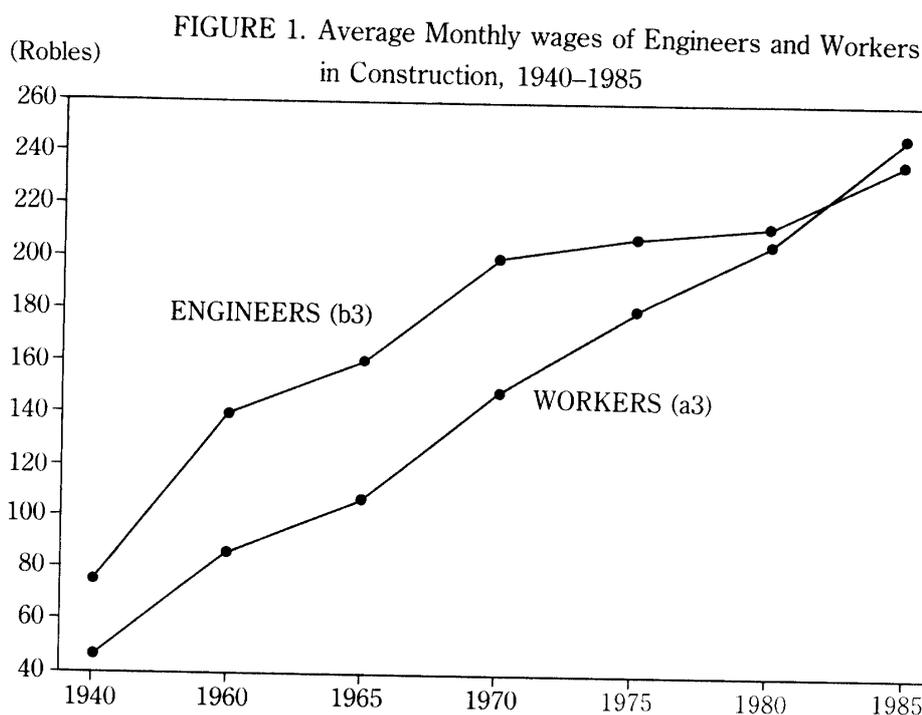
12. There are different estimates about the amount of such worker-intelligentsia, my own calculation is about 2,2 million in 1985 in industrial sectors, see^{6a} p. 312.

IV-3. Complaints and Conflicts

Now we go into the "arena" and start with reading a letter from a worker in the latest newspaper report entitled "Conflict. Norms raise simply.." ¹³

13. *Trud*, 1988-7-26, ²², the worker appeals "Rates cut, and norms raised, who defends us?"

In the Pinsk meat combinat in Minsk, work norms were raised by 14% on an average simultaneously with the introduction of new wage system. For instance, in the pig-fat processing work, the piece-rate norm was raised from 298 kg to 375 kg per shift or by 26% on



Source, [6a] P. 145, See also (TABLE 11)

an average. The rate of overfulfillment of norms in this section was very high and workers were enjoying “the unearned wages” for a long time, this was what managements explained to the workers as a ground for raising norms. And even the new norms are higher than those of the average current norms of this industry as a whole. But it must also be noted that the average norms were calculated with the inclusion of the enterprises with advanced modern equipments, whereas in this firm situations are rather reminiscent of the pre-Noah age. Notwithstanding plan targets were raised each year, work burdens were put not on the machines but on human backs. As a result, there was no way, as the managers point out, other than to keep the norms as they were for more than ten years to keep workers working for this firm.

Another letter from a electric welder working at the Tazhik factory “Electoro-montazh” uncovers a typical formal attitude for the introduction of a new payment system on the plant level. According to the letter, there was a meeting and the management said there was no money left for the expected wage rise. The director said, “So let us reduce one “razryad” for each of us without examination. Who is for?” Hearig from the audience strongly indignant responses, the management added, “If you want the examination by the attestation commission, go ahead. Somebody may lose two or three “razryad”. From each one “razryad”, this is much more democratic, isn’t it?” And the workers voted “for”³¹ (p. 39).

Complaints about and criticisms of “uniform reduction of skill-grades”, “a formal attitude towards the required attestation of work places”, “mechanical increase of work-norms”, “lack of democratic principles”, “secret decision made by a narrow circle of specialists”, “lack of proper effort by union activists for orientating workers”, “ignorance and lack of interest on the part of rank-and-file workers”, etc. are frequently heard not only from the speeches by responsible persons³⁰, higher rank union officials^{18,21} and other authorities²⁵ but also from writ-

ings by specialist researchers and academics^{11,19}. But these official reports scarcely touch upon what is really happening behind the scenes, in spite of repeated calls for openness (“Glasnost”) and democracy. The following report should be counted as exceptional.

According to the *Moscow News*, one morning in the city of Chekhov to the north of Moscow, all the city bus services were suddenly stopped and citizens were all obliged to walk to the work place. In spite of all the recommendations and / or threats by the managing body of the city bus authority, bus drivers went on a wild-cat strike in an attempt to resist the forcible introduction of a new wage system. The wage reform demanded re-examining the work-norms and the new norms included a more severe observance of the time schedules by each bus driver. What was actually implied in the new system is simply that if the time table was not kept by a driver, his pay will be reduced accordingly. This meant not only the intensification of work but also a real wage cut, because it was nearly impossible for the drivers to keep the schedules properly. The roads, drivers say, were in “beautiful” (bad) condition and the buses were all so old that if you drive an hour you need a whole day to repair it. The management knew all this but under the pressure for the wage reform from above they dared to introduce the new system. After the drivers’ “revolt”, however, it was only natural for them to be obliged to withdraw the reform programme¹⁴.

14. *Moscow News*, 1987–9–20

The reason for their failure obviously lies in the lack of proper effort, on the part of the management, to renovate the technical preconditions (to introduce new and high quality buses) and also to orientate the workers with the new system.

But, at the same time, one can’t miss the other side of the coin. The management were perhaps well aware of the workers’ negative attitude to the wage reform and by introducing the reform forcibly it became more easy for them to show that workers were all hostile to “perestroika” in general. This interpretation does involve a very delicate problem of political tactics and we won’t try to go any farther into the politics of reform. It is sufficient here to hint at the existence of other evidence reflected in the occasion of open industrial conflict¹⁵, though the number of officially reported case is obviously quite limited.

15. For instance, workers at one of the Moscow supermarket went on strike for 12 days from 6th to 17th of September 1987 in protest against the new wage system. 14 people left the shop and 4 were dismissed for violation of discipline (*Sovietskaja Torgovrya*, 1988–1–5).

V. Dismissals and transfers--Problems of Effective Labour Market

V-1. Unemployment ?

The third problem area is rationalization of employment required in the process of wage reform. We have already looked at the problems of rational use of labour within the enterprises in earlier sections. So we are concerned here mainly with the labour market aspect. In Soviet parlance, it is called the problem of allocation and reallocation of labour resources and officially it does not and cannot include the problems of unemployment in principle. Wage reform measures, however, do include possibilities of a substantial volume of unemployment for the first time since the twenties, hence some open discussions emerged (See, for example, N. Shmeryev, *Moscow news*, 1988–2–12)

As is clearly indicated in one wage reform slogans “Fewer members, more wages”, the related rationalization of employment includes not only the rational use of existing manpower but also the reduction of the number of employed, more preferably, the liquidation of internal reserves, which could result in temporary unemployment, provided the intended reallocation

measures prove to be unsuccessful. And, as we have already seen, almost all successful cases of wage reform attempts report a substantial number of dismissals, as in the case of Belorussian railway some 10 percent of the workforce were dismissed.

From the labour market's point of view, the policy makers are now seriously concerned with the problem of effective reallocation policy, what kind of policy mix should be chosen to avoid possible unemployment, which has been and still is a sort of taboo. A large amount of overmanning within Soviet enterprises, internal labour reserves as they call it, poorly used labour with seasonal excess supply in the Soviet rural area particularly severe in Central Asia and also some youth living in large cities temporarily without a job or with only a nominal one, all these have been recognized to exist by Soviet economists as well.

The size of the population subject to reallocation under the Perestroika programme, however, could be radically different from these hitherto known ones. Professor Kostakov, Director of the Economic Research Institute by Gosplan and one of the highest ranking economist long responsible for the planning of labor resources in this country, points out that, according to the Institute's forecast, some 13 to 19 (16 on an average) million people¹⁶ currently working in the productive sphere are to be released by 2000. But even before this date, he also suggests, "By our cautious estimates, not less than 10 million of surplus labour, staying just on the surface", could be driven out to the other branches solely by improving the use of labour. He hastens to add, however, that in the course of this mass transfer, there will be no unemployment, jobs will be guaranteed to all the Soviet citizens. Nevertheless, such an unprecedented amount of release of manpower, whether this is a sheer forecast or not, conjured a sort of nightmare, threatening unemployment, the population at large¹⁷.

16. See^{322a}, this figure is quite frequently cited in the press but the method of forecast is not explained anywhere. Some press report now point out a slightly different version, i. e. "15-17 million" (Izvestia, 1988-1-21²⁴).

17. Facing a flood of letters, the editor of *Kommunist*, theoretical organ of CPSU, asked Professor Kostakov answer to some of them. Interestingly the tone of his answer tried to persuade the reader to change his mind rather than simply guaranteeing job security. He also cites a letter from an American, a teacher in California, who says "It is astonishing for us Americans to learn that you are facing the same problems (i. e. unemployment) as us"^{32b}.

V-2, Mass Reallocation

The first signs of mass freeing of manpower appeared in the middle of 1986. In the process of abolition of five central organs in agriculture and the formation of State Agricultural Committee (Gos-agro-kom), some 3200 personnel were dismissed.

In the middle of 1987, two ministry of energy and the Ministry of Heavy and Transport Machine-Building, were reorganized into one, the Ministry of Heavy, Energy, Transport Machine-Building Industry, 680 employees were told to leave²⁹. One woman, told to take another job in other institution, refused to accept the offer on the ground that her salary was actually cut down from 220 rubles to 180 rubles. Since then, this kind of "conflict situation" is not rarely found in the press.

A huge number of letters were addressed to the editor of *Pravda*, in relation to the frequent reports on mass release of workers and employees which represents a growing concern and a fear of unemployment among the population. In answer to the questions raised by the editor, Mr. Proshakov, Vice chairman of the Government bureau on social development, talks plainly about the necessary amount of transfer of employment²³. According to him, out of estimated 16 million people to be released from productive sectors by the year of 2000, three

million workers will be reduced within the current 12th FYP period (by 1990) only as a result of wage reform. He adds, "The process is unavoidable and will become stronger". In the case of ZIL automotive factory, 2500 workers were already released.²³

Against this background and under a precipitating need to activate labour market, the Soviet government adopted an epoch-making decree on employment rationalization policy¹⁸, which include measures for "temporary unemployment benefit".

18. Cf.¹⁰, this was preceded by a discussion at the Politbureau on 19th December 1987 and followed by a decision (Ukaz) by the Supreme Soviet on February 4, 1988 to introduce necessary amendments to the Fundamental Law on Labour (see *S. T.* 1988-5, p. 10). Considering past Soviet practice, this administrative and legislative response to the problem is amazingly speedy. On top of this, the decree was held to be effective even before the official amendments were made to the existing laws. These are enough to suggest that in the second half of 1987 and early 1988, the situation with open unemployment reached an unexpectedly high level, at least far higher than what authorities anticipated at the first stage of wage reform.

In the decree, we see two major labour market policies proposed. One is the strengthening of the social guarantee for those temporarily without a job. Those who were dismissed for reasons of rationalization and could not, after serious job-seeking efforts, find suitable work, are now guaranteed average monthly wages for not more than 2 months (for exceptional case 3 months). In the case of the closing of the enterprises, 3 months are allowed. The management are now obliged to give notice about possible dismissals to the employee and also to report to the regional employment bureau about the size of dismissals, two months in advance.^{30b}

The second one is the activation of the labour market either by strengthening the employment bureau and / or newly creating a center for professional training on regional bases. As for the assessments of these new and very important policies, we must, for lack of space, refrain from going into detail. I have dealt with these elsewhere. (Cf.6^c)

Reliable statistical data about the amount of dismissals actually taken place (Cf.6^d) on the whole national level are still not available. Some fragmentary press reports (*Trud*, 1988-6-8) suggest that, in the first three month of 1988, some 400 thousand people in the country as a whole were released from those enterprises which introduced complete *khozraschot* from 1st of January. In the Moscow region, of 16 thousand released, 3,5 thousand had reached at the pensionable age, 9,2 thousand got jobs in the same enterprises either through implementing multi-shift systems or expansion of assets, 3,3 thousand were transferred to another enterprise by consent. In three months time, this figure grew to one million¹⁹. As for 1987, one notable thing is the reduction of employment by about 123 thousand²⁰ took place in the mining and manufacturing sectors for the first time in many years.

19. More precisely "Only in the first half of this year, the number of those working in the state enterprises of basically productive sectors was reduced by one million". *Izvestia*, 1988-9-3

Still more notable is the reduction of personnel working in the state apparatus, the number was 2,389 thousand in 1985, 2,378 in 1986, 1,983 in 1987. We must, however, be cautious with the 1987 figure because there seems to exist some changes in the definition. But there are ample sources to suggest that the "unemployment wave" did reach the fortress of ministerial organs and academic institutes in Moscow and elsewhere. In Moscow, a first bulletin listing employment opportunities (meant mainly for qualified specialists) did appear and some of them circulated from hand to hand through institutes²¹. Even from these fragmentary sources, one might fairly conclude that substantial number of dismissals did happen in

1987 and in the first half of 1988. And there is good reason to believe that this trend will continue for some time. But there also exist barriers for this trend to continue, not from socio-political side but purely from the economic-systemic side.

20. The number of industrial-production personnel counted 38,223 in 1986, whereas 38,100 in 1987, and out of this the number of workers was 31,390 in 1984, and 31,242 in 1987 (in thousands, *USSR in Figures in 1987*, Moscow 1988, p. 187).

21. *Moscow News*, No. 6, 1988-2-7. The exact title is "Bulletin of vacancies for leading personnel, specialist and white-collar workers" and it is planned to be published three times a month and a publication of a different version for workers by profession is also projected.

Efforts are being made to implement the decree also from the side of trade union organization. The AUCCTU presidium met twice (Trud, 1988-2-2, 1988-6-26) mainly on matters of effective employment policy and examined the problems. A working group was formed in February jointly by AUCCTU and Goskomtrud for coordinating the activities of regional labour organs and trade unions (Trud, 1988-6-8). The regional organs must play a decisive role in the solution of placement problems.

One of the most serious barriers is the housing problem. When a worker subject to redundancy holds a better position in the waiting list for the distribution of flats, he or she might lose the right to better housing for which the worker sacrificed much (see *Moscow News*, 1988-2-14, No. 7). This is not simply a problem of selection of job or the level of wages, particularly in the Soviet Union where shortage of housing is at the core of socio-economic problems. The same applies to those currently living in better housing conditions who are more reluctant to change jobs. Compared with other industrial countries, in the Soviet Union where the system of distribution has been the basic way of supplying housing to the population, the lack of free market in housing works as a more serious barrier to solving the labour reallocation problems. Efforts have been made to alleviate the situation by, for instance, recommending the creation of cooperative housing or admitting loans to build private housing, but these measures have so far not yielded decisive results particularly in big cities.

VI. Conclusions and Prospects

According to V. Shcherbakov, more than 26 million (or 37% of those scheduled) workers in the material production sector, transferred to the new wage system by the end of 1987, and towards the end of this year the figure will grow to 80%. The results of wage reform are quite positive, he insists, for instance, in the Ministry of transport, 2, 5 million people (about 80%) are now working under the new system and 280 thousand workers were dismissed, and for the past two years the ministry over-achieved the plan target for labour productivity growth^{25b}.

In the case of the Ministry of oil extracting industry, which had been chronically suffering from the labour shortage, the mobilization of internal reserves made it possible to reduce from the production branch 101,8 thousand people or 10,2% of the total employment. For the year of 1987, the labour productivity growth was estimated to slow down, because of the abating mining-geological conditions. But it turned out to be slightly up. The shift to the new system enabled a huge reorganization^{25b}. One might be reminded of the "Lower-Volga-Petroleum" Association as one of the best examples of a well-prepared transfer, which we touched in section II-2.

This is, needless to say, one side of the coin. Secretary of AUCCTU Mr. Truisov says, in an interview to the correspondent of *Izvestia* newspaper (2nd of July 1988), "Ministerial

bureaucrats interpreted the widening of enterprise rights which was prescribed in the Law on State Enterprise as their own rights. As a result, by our own research, approximately half of the enterprises which adopted new payment system, did not succeed in raising effectiveness of production. Every one third of the enterprises in the Ministry of Automobile Industry and one third of the enterprises in the Ministry of Chemical Machine Building Industry had no increase whatsoever in labour productivity. It remains a fact that new economic mechanisms have not yet been completed and, above all, the complete economic calculation ("Khozraschot") is still only on paper. A stimulus to labour will not come into full swing until the time when "khozraschot" reaches every shopfloor, entire work force"²¹.

There is, of course, some truth in Mr. Truisov's statement but one might fairly say that before complete "khozraschot" is realized, there is much to be done to improve management-labour relation. This is a task which can, and must, be done from within, i. e. independently, to some extent, from the factors outside, at least, such as rational prices, normal market mechanism etc.. This type of "attribution to the root" must also be criticized as a conventional trick employed by bureaucracy. In addition to this, the basic formula for planning the wages and incentive fund was changed in the new State Enterprise Law. As a result, would-be confusion for the management and economists was also used as a plea for delaying the effective wage reform.

As we have seen, a complete "khozraschot", or full implementation of new State Enterprise Law is a matter of only some of the exceptional or experimental cases on the one hand. And, on the other hand, in the majority of existing enterprises, more realistic measures are needed to improve the wage and incentive systems. Under such circumstances, some kind of intermediate measures, which are also in the framework of the new Law, are naturally sought by the labour authorities. These measures were materialized towards the end of 1987 in the form of "Standard Statute". In what follows we examine so-called problems of "two variants" in the planning procedures of wages fund and material incentive funds.

According to the V. Sychev's article entitled "Procedures and conditions for the formation of the wages fund"²⁶, which also explains briefly the process of development of planning and management of wage fund in recent years, the two basic models which are prescribed by the new State Enterprise Law are as follows.

The first model, the normative-growth model, is determined by two factors, one is the "base-year-wage-fund" (absolute sum), the other is the normative (rate) which is the sum really paid out to the workers and is kept fixed for some years. The normative is calculated

(Table 12)

Mashine-building complex	0,3,
Ministry of chemical industry	0,51
Min. of medical-bio-industry	0,5
Min. of ferrous metarullgy	0,73

(Table 13)

	1987	1988	1989	1990	1990/78
Ministry of East Construction of the USSR	35,98	35,43	34,43	33,86	-5,9
Ministry of Special Installation of the USSR	16,43	16,07	15,76	15,52	-5,5

in connection with the major indicators for development which are included in the basic socio-economic development plans and some specific factors in the particular branch of the economy in the 12th FYP period. For the rest of three years (1988–90) in the 12th FYP, the normative is tentatively fixed as is seen in the following cases ;

The first model is expected to stimulate the management to try to reduce the number of people employed, because under the fixed base fund and the normative, the absolute sum for distribution among the members is fixed for the years and if the number of the member is reduced, the remaining members can get more.

The second model is defined as the share of “kopeeks” meant for the wage fund out of one “rubl” of output (value of work done). The “kopeeks” are to be reduced as the year goes on. So this method is called “normative-level model”. This method is widely in use in the construction sector. Following is the example of normative-level ;

The management under strong pressure to raise wage rates not merely from workers but more strongly from the employees and technical personnel who have long suffered relatively low pay. Most of them are paid monthly, more or less fixed, salaries and consequently are deprived of the sources of payment increase by working additional work-time or “overfulfilling the work norms” which were the common practice among manual workers.

There is another problem of the change of content of wage reform plan by the enactment of new State Enterprise Law, which did not exist at the time of issuing wage reform decree. The difference is reflected in the change of formula for planning wage fund but to what extent the real change takes place is a matter yet to be determined. So far as the State Enterprise Law remains on paper, so does the new formula. One thing, however, is clear that in some “progressive” enterprises a new payment system according to the new formula will contribute better to improve the distribution problem inside the enterprise, while others remain the same. As a result the difference between the two will grow and this is exactly what the reformist policy makers welcome. But to what extent this does happen, remains to be seen.

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[Abbreviations of some of the titles of periodicals are ;

E. G. = *Ekonomicheskaja Gazeta* = Economic Gazette

S. T. = *Sotsialisticheskii trud* = Socialist labour

S. I. = *Sotsiologicheskie issleedovanija* = Sociological Studies

N. K. = *Narodnoe Khozjaistvo* = National Economy, Statistical Year Book

V. S. = *Vestnik Statistiki* = Herald of Statistics

Most titles of papers and articles are translated into English while some official documents are not, unless otherwise stated]