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Introduction

The Wage Reform: A Brief History

Arthur Lewis once stated that "socialism is about equality." [1] We might also say that "Marxism is about the industrial proletariat." Few subjects could be more pertinent to socialism and Marxism than the determination of wages for industrial workers in the USSR. However, since the publication of Abram Bergson's *The Structure of Soviet Wages* (1944), Soviet wage policies and practices have continued to evolve, and although not entirely neglected,[2] the recent changes have as yet not been sufficiently explored. Particularly interesting are the developments since the mid-1950s.[3] Previous studies have tended to focus on years prior to World War II,[4] and, in fact, changes in wage policy from that time to about 1958 were relatively limited.[5] More recently, the Soviet government has subjected its wage system to a wholesale reform. One Soviet economist, possibly overstating the case, maintains that the recent changes have been "qualitative" rather than simply "quantitative," and that they "in an essential way changed the very basis of existing differentiation of wages." [6]

In fact, the wage reform of 1958–1960 may legitimately be regarded

1. Lewis, 1952, p. 10. The shortened citations used in the footnotes are explained in the Preface.
2. In addition to Bergson, some Western economists who have been especially interested are Robert F. Fearn, Walter Galenson, G. R. Barker, Emily Clark Brown, Murray Yanowitch, Alec Nove, Gertrude Schroeder, Janet Chapman, and Norman Kaplan, each of whom has written specific studies in Soviet wage determination. The list could easily be expanded.
3. For Western descriptions of these developments, see Fearn, 1963a and 1963b; Galenson, 1960; Yanowitch, 1963; Dewar, 1962; Schroeder, 1966; Chapman, 1970; and Kaplan, 1970.
4. Bergson, 1944, especially pp. 137–154. See also Barker, n.d., pp. 58 ff; Bjork, 1953, pp. 53–58; Yanowitch, 1960.
5. A number of Soviet sources assure us that this is the case: Karinskii, 1963, p. 54; Maier and Markov, 1958, p. 48; Figurnov, 1962, p. 151; Batkaev and Markov, 1964, p. 28; Pasherstnik, 1946, pp. 185–186. Also see Nove, 1961, pp. 115–116. The Soviet economist Bliakhman (1964, p. 282) at least in part justifies this condition as follows: "Our country has already come out of the early period of its development when it was necessary, under the threat of war, within a short period of time to develop the economy at an unprecedented tempo, and therefore wages were determined more by political conceptions and the general economic and military importance of a category of workers than by economic calculation."
6. Maier, 1963, p. 139. Karinskii (1963, p. 58) simply stresses the "radicalness" of these changes as compared to previous Soviet wage reforms.

as a watershed in Soviet wage policy. This study focuses particularly on wage structure and administration under the reforms initiated. As a preliminary, brief reference should be made to the general nature of that reform and the circumstances in which it was introduced. In the course of this study, it will become clear that one need not search for the causes of the wage reform completed in 1960. These are painfully evident. A more interesting question is why this reform did not come sooner.

Much of the rationale behind the wage structure developed during the mid-1930s [7] was lost with the advent of World War II. During the war, numerous specific revisions of basic wage scales were effected by decrees issued by the Council of People's Commissars without reference to branch or geographical administrative organs. Added to this centralized determination of basic scales was a high decree of local autonomy in distribution of actual earnings among workers within a single enterprise, the majority of whom were paid according to piece rate, and output norms were determined at the enterprise level.[8] After the war, there were a number of "one-shot" (*edinovremennyi*) alterations of basic wage rates for specific groups of workers. Each modification was made without reference to its impact upon the general wage structure.[9]

In fact, by the middle of the 1950s the term "wage structure" could appropriately be used only if understood either as summary measures of inequality or as earnings differentials within a specific enterprise. An example of the administrative fragmentation is the fact that, although the Ministry of Machine Tool Production had established basic wage rates for workers employed in that branch, these applied to only 55 of a total of 171 plants engaged primarily in producing machine tools. The other plants were scattered among 19 other ministries,[10] each of which had its own basic wage scale. Moreover, a continuous depreciation in the importance of basic rates as a component of earnings had taken place. In the late 1930s, basic wages constituted 80 to 90 percent of workers' earnings.[11] Because of the growth of payments for the overfulfillment of piece-rate output norms and various

7. See Bergson, 1944, especially chapters 2, 13, and 14.
8. Pasherstnik, 1946, p. 62; Schwarz, 1951, pp. 200–204.
9. Pasherstnik, 1949, pp. 185–186.
10. Hoeffding, 1959, p. 72.
11. Batkaev and Markov, 1964, p. 201.

premiums, by the mid-1950s this percentage had dropped to about 50–60.[12] Even general statistical measures of wage inequality during the more than two decades preceding the wage reform will probably forever remain unknown. Between 1934 and 1956, such data were simply not collected.[13]

For a period, the effects of the "disorganized" wage system were mitigated by massive penal labor as well as a 1940 series of laws that bypassed labor market mechanisms: youths were drafted for industrial training, workers were prohibited from leaving jobs without permission of the enterprise director, and skilled workers could be transferred without their consent.[14] Though these laws were not fully repealed *de jure* until April 1956, their *de facto* demise occurred several years earlier, possibly in 1951.[15] With a labor market that had become both "free" and "tight," [16] the negative effects of the wage system were fully felt. In early 1957, A. P. Volkov, newly appointed Chairman of the Government Labor Committee, reported that

> Without exaggeration, it may be said that the existing wage system . . . has not only stopped being a progressive factor but appears to be a serious hindrance on the path of the future growth of the productivity of labor and does not meet the Leninist principle of [providing for] the material self-interest of workers in the result of their labor.[17]

At least in part, the situation described by Volkov can be viewed as a result of Stalinist dogma, which, while affecting all areas of economic analysis, had an especially pernicious impact upon labor economics. In 1951, Stalin stated that

> Problems concerning the rational organization of productive forces, the planning of the national economy, and so on, are not the subject

12. See chapter 2.
13. Rabkina and Rimashevskaia, 1966b, p. 88; Loznevaia, 1968, pp. 128–129.
14. See Schwarz, 1951, pp. 106–129 for a detailed discussion of these laws.
15. *Labor Law*, 1964, p. 22; Brown, 1966, p. 16.
16. With some exceptions, the Soviet worker is now free to change his place of work if two weeks' notice is given. There are two important exceptions. Some major urban centers are "closed," with migration into the city being most difficult. As discussed in chapter 5, there is also the "obligation" to work in an assigned place after completion of a vocational-technical school.

Emily Clark Brown's (1957 and 1970) description of the Soviet labor market indicates a general "tightness." However, recently there have been reports concerning difficulties encountered by young persons in finding employment. For Western appraisals of the significance of this phenomenon, see "Transition from School to Work," 1963, and *Unemployment in the Soviet Union*, 1966. For hitherto unavailable data on labor turnover in the Soviet economy, see Bliakhman et al., 1965, pp. 15–16.
17. Volkov, 1957, p. 4.

for political economy but rather the subject of the economic policy of directing (*rukovodiashchikh*) organs. These are two separate spheres that must not be mixed. To foist upon political economy questions of economic policy would nullify it as a science.[18]

Thus cut off from policy questions, what remained of the specialty of labor economics passed out of existence. E. I. Kapustin, probably the leading Soviet authority on wage determination, described the situation as follows:

Not only central government organs that were directly involved with these questions [of labor and wages] were liquidated, but also those scientific-investigative organizations which studied these problems. To a significant degree the cadres of scientific and practical personnel in the field of labor and wages were dissipated. No sort of scientific discussions took place. . . . In the whole country there was not one special organ where questions of labor and wages could be raised and discussed.[19]

The desirability of a major overhaul of the system of wage determination was evident to numerous Soviet commentators. However, to carry out general restructuring of the wage system there was a need for pertinent data on existing wage patterns, an organization or organizations with the administrative competence to implement changes in wage determination, and personnel having some expertise in wage problems. In 1955, none of these needs was met. In retrospect, the formation in that year of a new administrative organ that was to fulfill just such tasks appears to have been a prerequisite for the industrial wage reform completed only in 1960.

In fact, the first hint that major changes were to take place in Soviet wage policy came on May 24, 1955, with a decree entitled "Concerning the Formation of a Government Committee of the Council of Ministries of the USSR on Questions of Labor and Wages." The avowed goal of the decree was the "strengthening of government control in the field of labor and wages." In July of the same year, the administrative role of the Government Labor Committee, as we shall henceforth call it, was clarified to some extent by a decree of the Central Committee of the Communist Party, which stated that the new organization's function was "to carry out inspection and control over the work of ministries, departments, and enterprises on questions of labor and

18. Stalin, 1952, p. 171.
19. Kapustin, 1964, p. 4.

wages." [20] The following January, it was announced that Lazar Kaganovich had been appointed head of the Committee.[21]

However, the exact meaning of "inspection and control" was not yet clear. More than a decade earlier Bergson had said that "the precise role of the various agencies which since 1931 have become participants in wage-scale construction is by no means easy to delineate." [22] By the mid-1950s this had become an understatement of the degree of confusion. It seems that the ministries organized by branches of industry were responsible for setting the wages of personnel who fell within their jurisdiction. Two Soviet commentators, however, maintain that even among enterprises of a single ministry, there was no coordination of wage-setting policies.[23] The situation was not clarified by Premier Bulganin, who, while stressing the "important" role of the Government Labor Committee, went on to note, "The formation of this agency, however, does not absolve Ministries and heads of enterprises . . . from their duties in the matter of fixing labor norms, introducing order in wages and improving the organization of labor at enterprises." [24]

Only in January 1956 was it made clear that the Government Labor Committee had the power not only to develop proposals, but also to stop the enforcement of orders and instructions from other economic agencies if, in the Committee's view, such instructions were in violation of existing wage regulations.[25] At approximately the same time, the draft of the Sixth Five-Year Plan (1956–1960) was published. Included in the draft were general proposals for extensive reforms in wage setting.[26]

For approximately the next eighteen months, however, neither the

20. *Vedomosti,* no. 8 (826), June 8, 1955, article 196, p. 240. Also see "Directive of the Central Committee of the Communist Party, the Council of Ministries of the USSR, and the All-Union Central Council of Trade Unions on the Corrections of Deficiencies in Norming of Labor and Wages," Direktivy, 1957–1958, vol. 4, p. 435.
21. *Vedomosti,* no. 1 (843), January 14, 1956, article 11, p. 16.
22. Bergson, 1944, p. 173.
23. Maier and Markov, 1958, p. 48. According to Nove (1961, pp. 115–116), from 1945 until 1956, no body below the Council of Ministers existed that could decide national wage questions, and there simply was no systematic consideration of these problems.
24. Bulganin, 1955, pp. 11–12.
25. *Sots. Trud,* no. 1, 1956, pp. 5–6, as cited in Karinskii, 1963, p. 55.
26. *Pravda,* January 15, 1956.

activities of the Government Labor Committee nor the progress of the wage reform was particularly impressive. Through the first half of 1957, the reform consisted of little more than a series of inconclusive experiments.[27] Conflicts concerning the respective roles of the Committee and the ministries apparently continued, and the complaint was voiced that "departmental barriers" were holding the Committee back from solving the basic problems of wage regulation.[28] Partly because Kaganovich was, in June 1957, identified as a member of the "anti-Party group," the activities of the Committee under his chairmanship will probably long remain unclear.[29] In any event, the accusation was made that Kaganovich consciously "deflected" the Committee from its important work and that under him it "pursued the harmful line of separating technology from economics." He was also charged with attempting to liquidate the Committee, which "moved from a standstill" only after he left it.[30]

Both the Committee and the wage reform rapidly "moved from a standstill" in mid–1957. Any existing ambiguities concerning the competence of the ministries in wage setting were eliminated by N. S. Khrushchev's announcement in May 1957 that the ministries for the various branches of industries were to be replaced by regional administrative units.[31] Working through the newly established *sovnarkhozy* (regional economic councils), the Committee in early 1958 began in earnest to reform wages, and by the end of that year new wage schedules had been imposed in the metallurgical, coal, chemical, and cement industries.

In September 1959 a new pattern was established. Instead of continuing on a branch-by-branch basis, the wage system underwent reform for all industrial workers in each of several large geographical areas. Moreover, wage reform was now accompanied by a reduction in the standard work week from 46 hours to 41 hours.[32] By the end

27. For a detailed description of these experiments, as well as a more extended history of the wage reform, see Fearn, 1963b, pp. 13–20, and Galenson, 1960.
28. Gromov, 1957, p. 19.
29. It might be noted that Volkov replaced Kaganovich as Chairman of the Government Labor Committee several months before the attack on the "anti-Party group."
30. "Nastoichivo," 1957, pp. 5–8.
31. See Hoeffding, 1959.
32. The customary structure of the 41-hour work week was seven hours each weekday and six hours on Saturday. More recently, the 41 hours generally has come

of 1960, all industrial workers had been transferred onto the new pay schedules.[33]

Thus, despite the fact that the phrase "the wage reform" indicates a process that occurred simultaneously for all industrial workers, it in fact refers to the piecemeal process that took place during the period between 1958 and the end of 1960 when the essential changes were introduced.

The scope of the Government Labor Committee's activities increased in pace with the progress of the wage reform. In 1957, several economists on the pages of the Committee's journal, *Socialist Labor (Sotsialisticheskii Trud)*, called for the creation of a centralized organization, possibly an "All-Union Ministry of Labor," which would have authority "right up to the publication of obligatory decrees on questions of labor and wages." [34] By the beginning of the 1960s, the Committee essentially had become such an organization.[35] Its responsibilities came to include participation in decisions concerning the size and structure of the total wage fund; [36] construction and/or authorization of all wage handbooks,[37] or changes in existing wage handbooks; promulgation of decrees concerning virtually every aspect of the wage system; and numerous lesser matters, down to decrees concerning wage payments in single enterprises.[38]

The reform of wages was accompanied by a rebirth of Soviet labor

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to be distributed over a five-day work week. This reduction of the statutory work week was accompanied by a reduction in the actual average work week which stood at 45.3 hours in 1957, 42.1 in 1960, and 40.4 in 1967. Data on the statutory work week in various branches of industry can be found in *Trud v SSSR*, 1968, p. 239, and those for the actual average in *Vest. Stat.*, no. 9, 1968, p. 85.

33. Fearn, 1963b, pp. 18–20.

34. Shishkov and Kmets, 1957, p. 20; Gromov, 1957, p. 19.

35. According to an organizational chart for June 1963, the Committee was directly subordinate to the Council of Ministries, along with several other committees, including Foreign Economic Relations and State Security. The great majority of other government committees are shown as indirectly subordinate to the Council of Ministries. "Organization," 1963, pp. 2–3.

36. At least a mission from the International Labor Office was so informed. ILO. 1960, p. 99.

37. Discussed in chapter 4.

38. The scope of the Committee's activities was indicated by a listing of 184 different decrees (*postanovlenii*) issued between March 1957 and April 1959. The listing includes only those decrees concerning machine construction that are no longer in force. *Biulleten'*, no. 9, 1964, pp. 42–58. As it has turned out, the more important of these decrees have been issued jointly by the Committee and the All-Union Central Committee of Trade Unions. See Karinskii, 1963, pp. 54–56.

economics. This discipline has been revived in large part through the activities and publications [39] of the Government Labor Committee and its subordinate organization, the Scientific Research Institute of Labor. The Labor Institute, as it will henceforth be called, is charged with conducting research and developing proposals in the general sphere of labor and wage administration.

Elements of Soviet Wage Determination

As is generally understood by Western economists, wage structures depend upon conceptually distinct "pure" differentials, each of which ideally should be treated separately. For example, if the economist seeks to test the hypothesis that there is an interindustry wage differential in favor of industry *A* over industry *B*, a simple demonstration of higher average wages in *A* is not sufficient. The difference might be caused by factors such as a higher average level of skills among workers in *A* or location of the plants in *A* in high-wage areas. The goal is to measure the size of some differential net of the effects of other differentials. Following our example, the economist would seek to adjust the data so as to eliminate geographical and skill differentials before attempting to determine the size or existence of a pure interindustry differential. In Western wage data, statistics usually "blend and confuse two or more types of pure differentials." [40] Although the raw data may be ingeniously restructured by a number of devices to isolate the effect of some single pure differential, the results are seldom satisfactory.[41]

39. The journals published by the Government Labor Committee include *Sotsialisticheskii Trud,* a large journal comparable in size to *Voprosy Ekonomiki;* the *Biulleten'* of the Committee, specifically devoted to decrees and decisions in the field of labor and wages; and the *Biulleten' Trud i Zarabotnaia Plata* of the Scientific Research Institute of Labor, which ended its five years of publication in 1962. These journals have a remarkably wide distribution. Their circulation as of January 1965 was, respectively, 33,555, 38,100, and 29,500 (December 1962). This may be compared to a circulation as of January 1965 of 11,950 for *Vestnik Statistiki* and 31,450 for *Voprosy Ekonomiki.*

40. Reynolds and Taft, 1956, p. 9.

41. For example, the answer to the seemingly straightforward question "Do trade unions increase the relative wages of their membership?" depends upon which differentials are to be measured. In spite of massive raw data, our analytical tools are not fine enough to isolate, or even to establish the existence of, a "bargaining" element in wage differentiation. An excellent discussion of the conceptual and empirical problems can be found in a collection of papers edited by Richard Perlman (1964) entitled *Wage Determination; Market or Power Forces.*

Table 1.1
Western Basic Elements of Wage Differentiation and Soviet "Pure" Differentials

Western	Soviet
I. Interpersonal	I. On-the-job incentive
II. Occupational	II. Quality of labor (skill)
	III. Quantity of labor (working conditions)
III. Interfirm	None[a]
IV. Geographical	IV. Geographical
V. Interindustry	V. Interindustry

Note: These Western elements are as presented in Kerr, 1957, p. 80, and in Reynolds and Taft, 1956, p. 9. The Soviet elements are based upon Soviet practice in wage administration and generally correspond to those presented in Soviet wage theory. The shortened citations used throughout this study are explained in the Preface.
[a] The Soviet economist recognizes the statistical fact of interfirm differentials, but he views it as the result of different combinations of the five pure differentials.

For the Soviet economist, not only are the pure wage differentials conceptually distinct, but recently there has also been an attempt to make these differentials administratively and quantitatively distinct in the system of wage determination. The matter may be clarified by reference to table 1.1, in which the pure differentials of Soviet wage administration are compared to what the Western economist might call the "basic elements" of wage differentiation. Unanimity among Western or Soviet economists as to the proper listing of basic elements or pure differentials is not to be expected. The basic elements are simply those that are most often used in Western literature and that generally correspond to the Soviet pure differentials. The enumeration of the five pure Soviet differentials rests upon firmer ground. Virtually all current Soviet wage theory,[42] a considerable body of published statistics, and specific aspects of Soviet wage policy reflect attempts to set or measure one or more of these differentials.

It is important to stress that the Soviet pure differentials are con-

42. Even when a Soviet economist uses a somewhat different classification, his analysis can easily be fitted into the scheme used in Table 1.1. For example, Kapustin (1964, pp. 56–58) used the phrase "quality of labor" to include skill level and working conditions, rather than (as used here and usually in the Soviet literature) to designate skill differentials. However, later in his study he separately discusses skill differentials (pp. 116–157) and differentials for working conditions (pp. 252–285). The latter correspond to our "quantity of labor."

ceptually distinct from statistical differentials. For example, if skill level, or "quality," of labor expended is determined according to a methodology standard throughout industry, statistical measures of interindustry wage differentials will be affected. If the average skill level of workers in industry *A* is higher than that of workers in industry *B*, basic wage rates will tend to be greater in *A*. According to Soviet wage administration, this is not to be viewed as an interindustrial differential, but rather as a reflection of skill differentiation.

In both Soviet and Western literature, the differentials in table 1.1 are used *ex post*, as a "basis for classifying and summarizing new data. . . ." [43] The five Soviet pure differentials have an additional *ex ante* function as elements in the administrative determination of the wage structure. Ideally, each differential is statistically quantifiable and administratively determined. As will become clear in the course of this study, since they are often out of phase with differentials demanded by labor market scarcity conditions, the administratively determined pure differentials in practice tend to lose their purity.

In a very general sense, the five pure differentials in Soviet wage administration are akin to a job evaluation plan for the determination of all money wages. However, the term "job evaluation" can be applied most accurately to one aspect of Soviet wage setting—the determination of relative intraindustry basic wage rates.

The existence of job evaluation in Soviet industrial enterprises hardly will be surprising to the labor economist. This technique is generally accepted in the West as a useful tool in wage setting for an industrial organization. Job evaluation in some form exists in most branches of American industry. Although such systems range from simple rules of thumb to highly sophisticated techniques,[44] they are all based on the "assumption that each job has a certain number of common factors which vary between jobs, and that these factors can

43. Reynolds and Taft, 1956, p. 9.

44. Job evaluation systems may range from a simple ranking of jobs according to what management might consider their relative difficulty to a system that Daniel Bell (1956, p. 13) describes as follows: "Perhaps the Ultima Thule in rationalization is the mathematical formula to determine the fine shadings of skill between jobs recently worked out by the Aluminum Corporation of America in order to set wage differentials scientifically. The program, which covered 56,000 jobs, took three and a half years to complete, at a cost of $500,000. The final equation, three pages long, juggles fifty-nine separate variables; it took thirty-five hours of Univac time, at a cost of $10,000 to compute."

be isolated and measured." [45] The fundamental characteristic of the process is that it "makes no attempt to determine the absolute value of a job but establishes only relative base rates for jobs," which are grouped into classes "for ease of wage administration." [46] The base, or basic, wage rate is the "money rate paid for a job performed at a standard pace," exclusive of shift differentials, overtime, premiums, and payments to piece-rate workers for overfulfillment of output norms.[47]

The surprising aspect of job evaluation in the USSR [48] is that the technique recently has been called upon to perform functions far more ambitious than that of setting wages within a single enterprise. The system of basic wage rates established according to job evaluation techniques has become the most important component of Soviet central wage policy. Statements such as the following are common throughout the literature:

> In essence, government regulation of [differentiation of] wages now exists only in the sphere of basic wage rates.[49]
>
> . . . The degree of effectiveness of wage regulation emanating from a single planning center is to a large extent dependent upon the position occupied by the basic wage in the earnings received by the employed person.[50]

Soviet job evaluation procedure, unlike that used in Western economies, supposedly ensures an equitable structure of basic wage rates throughout industry, a structure determined by an "essential law of socialism." Virtually all Soviet wage literature informs the reader that under socialism the "law of distribution according to labor" [51] determines relative wages in accord with the quality and quantity [52] of the labor expended by the individual worker. Most frequently, such phrases are simply empty rhetoric based upon the following reason-

45. I.A.M., 1954, p. 11.
46. Brennan, 1963, p. 443.
47. Ibid., p. 63.
48. The Soviet term that most closely corresponds to "job evaluation" is *tarifikatsiia rabot.*
49. I. A. Orlovskii, 1961b, p. 187.
50. Karinskii, 1963, p. 188.
51. This is possibly the only Soviet economic "law" that has a corresponding judicial law. According to the Soviet labor code, a worker must be paid wages in accord with the quality and quantity of labor expended, as determined by previously established norms and standards independent of the income of the enterprise in which the worker is employed. Karinskii, 1963, p. 22.
52. These terms should not be confused with those used in Marxist philosophy. As used by the Soviet labor economists, quantitative changes are never "dialectically transformed" into changes of quality.

ing: capitalist exploitation is absent in the Soviet economy, all incomes are earned, earnings can only be dependent upon the quality and quantity of labor expended, and therefore any Soviet wage structure is, and must be, in accord with the "law." [53]

A different and more meaningful approach to the "law" is fortunately also presented in the Soviet literature. For, let us say, an hour's work, quality and quantity are taken as two distinct and quantifiable aspects of the work process. "Quality" refers to a worker's skill level. "Quantity" is dependent upon the conditions under which the work is performed; that is, working conditions determine the "intensity" of work, hence, its quantity. Determination of relative basic wage rates in terms of these two variables is the goal of Soviet job evaluation techniques. Through utilization of a consistent methodology for determination of the magnitude of these variable, an equitable system of basic wage rates is supposedly constructed. Not only is the rule of equal pay for equal work [54] implemented in such a system, but any inequality in work performed is determined exclusively by job content analysis, rather than by some measure of productivity.[55] Thus quality and quantity may be viewed as two of the pure differentials in Soviet wage policy and ideally are the sole determinants of intraindustry differentiation of basic wage rates.

The example presented in table 1.2 provides an illustration of the role of these differentials as established during the wage reform and introduces several terms that will be used throughout this study. Here we see the system of basic wage rates for workers employed in that all-important branch [56] of industry, machine construction and metal working, henceforth to be called "machine construction."

53. This is the position taken by Kuzminov (1961a and 1961b) in a collection of papers entitled *Questions of the Political Economy of Socialism*. In the same volume, Figurnov (1961, especially pp. 315–316) demolishes this species of cant.

54. The theoretical possibility of "perfecting" the labor market, that is, increasing potential labor mobility so that the market itself might provide for equal pay for equal work, is simply not considered in the Soviet literature. As discussed in our concluding chapter, in wage negotiation, American and other Western trade unions also attempt, with some success, to impose this consideration, "which is deeply ingrained in the thinking and tradition of trade unions." Goldfinger, 1957, pp. 52–56; Douty, 1963, pp. 225–241.

55. For a relatively complete statement of the Soviet position, distinguishing differences in job content from differences in productivity, see Aganbegian and Maier, 1959, pp. 72–86. This matter is discussed in chapter 8.

56. See note to Table 1.2. Throughout this study, because of the way the data are presented, we follow the often inconsistent Soviet use of the term "branch." Usually

Table 1.2
"Quality" and "Quantity" of Labor as Determinants of Relative Basic Rates of Pay and Rates in Kopeks per Hour: Machine Construction

	Relative basic rates for working conditions	Skill Group (*Razriad*) I	II	III	IV	V	VI
		Skill Scale (*Setka*)					
		1.0	1.13	1.29	1.48	1.72	2.0
1. Time-rate workers, normal working conditions	.86	(26.3k.) .86	(29.7k.) .97	(33.9k.) 1.09	(38.9k.) 1.27	(45.2k.) 1.48	(52.6k.) 1.72
2. Piece-rate workers, normal conditions, and time workers, hot, heavy, or unhealthy conditions	1.0	(*30.5k.*) 1.0	(34.5k.) 1.13	(39.4k.) 1.29	(45.2k.) 1.48	(52.6k.) 1.72	(61.0k.) 2.0
3. Piece-rate workers, hot, heavy, or unhealthy conditions, and time-rate workers, especially heavy or unhealthy conditions	1.15	(35.0k.) 1.15	(39.4k.) 1.30	(45.2k.) 1.48	(51.8k.) 1.70	(60.2k.) 1.98	(70.0k.) 2.30
4. Piece-rate workers, especially heavy and unhealthy conditions	1.24	(37.8k.) 1.24	(42.9k.) 1.40	(48.9k.) 1.60	(56.0k.) 1.84	(65.2k.) 2.13	(75.7k.) 2.48

Notes: Table 1.2 is constructed according to the skill scale in Maier, 1963, p. 143. The actual rates in kopeks are from Dorokhov, 1962 p. 236. The data refer to the rates introduced with the wage reform in 1959 and apply to the seven-hour work day. Lack of perfect correspondence between the rates and coefficients is due to rounding.

The kopek rates in the table were the most widespread of three sets of rates existing in machine construction. These rates were increased by about 5 percent for those machine construction workers engaged in production for heavy industry, radiotechnology, and several other subbranches. A third and unimportant set of rates for machine construction workers employed in enterprises administered by local councils were 10 percent lower than those presented in the table. Aganbegian and Maier, 1959, p. 170; Dorokhov 1962, p. 236.

This differentiation of basic rates according to subbranch is usual in current Soviet wage administration. Such differentiation in machine construction was in part due to the heterogeneous output of the branch. Possibly more important, prior to the reform there were significant differentials between subbranches, and to establish one set of rates without major wage reductions would have meant too large an increase in wage expenditures. The lower rates for enterprises administered by local councils were supposedly temporary and based on the poor quality of norming (that is, easy-to-overfulfill norms) in those enterprises. Kapustin, 1964, p. 292. In fact, the lower rates for enterprises administered by local councils were abolished in 1968. Kunel'skii, 1968b.

The skill scale is the same for each of these subbranches.

Near the top of the table is the *setka,* which will from now on be referred to as the "skill scale." The term *setka* has a specialized meaning in Soviet wage administration, which might be fully translated as "the structure of relative intraindustry basic rates under given working conditions." Thus, skill scale appears the least clumsy English rendition of the term. The skill scale in the table is the row of six coefficients ranging from 1.0 to 2.0. Each coefficient relates to one of the six *razriady,* henceforth designated as "skill group(s)." This skill scale expresses the pure quality, or skill, differential in Soviet wage administration. In the first column of the table, the four coefficients, ranging from .86 to 1.24, set the relative basic rate differentials for the quantity of labor expended, or the pure differential for working conditions. Ideally, any job should be independently classified according to skill group and according to working conditions. Together, these two sets of differentials generate the system of twenty-four relative levels of basic wage rates presented in the body of the table. The coefficient in each cell expresses the basic rate for any job in terms of the rate for the work of an unskilled (first skill group) pieceworker performing a job under "normal" working conditions. This rate, italicized in the table, will be referred to as the "initial" basic rate (*iskhodnaia raschetnaia stavka*). While we will later discuss the key role played by this rate in interindustry differentiation of basic wages,[57] here we simply note that once the absolute value of the initial basic rate is given (30.5 kopeks an hour), the entire system of basic money wage rates, as presented in parentheses, is determined.

The six skill groups of the skill scale are not to be identified with the wage grades encountered in Western job evaluation. In the United States, the usual practice is to divide workers in a given plant [58] into

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"branch" corresponds to the "two-digit" industry classification groups used in the Standard International Industrial Classification, that is, "machine construction" is analogous to the British two-digit branch called "engineering." See OECD, 1965, pp. 24–25. In 1960, the first year for which the figures include members of former industrial cooperatives, 30.4 percent of all industrial workers were employed in that branch, a higher percentage than that of light and food industries combined. *Nar. Khoz.,* 1962, p. 130.

57. See appendix A, especially on interindustry differences in the definition of "normal" working conditions.

58. More rigorously speaking, in both the West and the Soviet Union, jobs rather

seven to sixteen wage grades, the average being about eleven.[59] Since such groupings take working conditions as well as skill level as variables, they are most closely akin to the twenty-four separate coefficients presented in the body of the table.

In the early 1960s, basic wages constituted about three-fourths of workers' earnings. The remaining portion was accounted for by various incentive payments.[60] Virtually all wage differentiation involves incentives: a regional differential provides the incentive for workers' interarea migration; a skill differential supposedly induces a worker to increase his level of qualifications, and so on. In much Western analysis of wage determination,[61] however, the term has taken on a specialized meaning—incentive wages, or incentive wage plans, refer to that portion of wages that is directly tied to short-run measures of output.[62] Throughout the period under discussion, more than 90 percent of Soviet workers were receiving, in addition to basic wages, some sort of incentive wage.[63]

There are six basic systems of wage payments for workers in Soviet industry: [64] straight time rate, straight piece rate, piece plus premium, time plus premium, progressive piece rate, and collective piece rate.

Only the straight time rate system involves no incentive additions to earnings.[65] Here, the worker's basic hourly wage rate is multiplied by the number of hours he has worked during a specified period of

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than workers are divided into wage groups. However, in both types of economies, the distinction between a personal rate and a job rate is by no means clear, because of limitations of management's right to downgrade workers. Galenson (1963, p. 302) discusses this distinction in Soviet industry. For legal regulations concerning this issue, see *Trud*, January 11, 1966, p. 3.

59. Brennan, 1963, pp. 189–120.

60. See chapter 2.

61. For example, see Morgan, 1962, pp. 140 ff.; Brennan, 1963, p. 224; *Wages*, 1964, pp. 28–37.

62. "Output" is to be taken as physical units and should be clearly distinguished from concepts such as "value of marginal product."

63. See chart 2.2.

64. There is no standard classification of wage systems in the Soviet literature. For one of the more detailed attempts to establish such a classification, see Shkurko's discussion (1965, pp. 32–50) of "determination and classification of forms and systems of wages."

65. As discussed in chapter 7, bonuses from the enterprise's material incentive fund have been possible since 1965.

time. With a few minor exceptions,[66] monthly earnings vary with the actual number of work days in any calendar month.[67]

Straight piece rate is the system in which a worker's wage is dependent upon the number of units of output he processes. Each unit processed means a specified wage payment, and earnings are determined by multiplying the number of units processed by the rate per unit, or piece rate. The actual establishment of piece rate, however, is closely connected to basic wages through the establishing of an output norm. The pay per unit of output may be established according to the following formula: [68]

$$P = \frac{B_I S_i}{N}$$

where P is the pay per piece; B_I is the basic rate for a worker of the first skill group; S_i is the coefficient relating the rate of pay for a worker of the first skill group to that of the skill group of the worker whose piece rate is being established; and N is the output norm.

Thus we can establish the output norm for a task to be performed by a machine operator of the sixth skill group in machine construction under "normal" conditions. His basic rate, as given in Table 1.2, is 61 kopeks an hour. If it is calculated that the piece that he is to fabricate demands 35.4 seconds of work time at a normal work pace in accord with the above formula, the output norm is 102 pieces an hour and each piece is worth 0.6 kopeks in earnings:

$$\frac{(30.5\text{k})(2.0)}{102} = 0.6\text{k}.$$

If, during a given period, the worker has averaged 102 pieces an hour, he receives his basic rate. If he has fulfilled his norm by 150 percent,

66. A small number of time-rate workers are not classified according to skill groups and are paid monthly "salaries" independent of the actual number of work days in a given month. Judging from a list of eleven occupations in machine construction that are paid according to such salaries, these workers generally perform unskilled service tasks such as cleaning and repairing work clothes, sweeping workshops, and operating storerooms. Karinskii, 1963, pp. 78–79; *Raschety*, 1963, pp. 20–21.
67. "Zarabotnaia Plata," 1964, p. 7. See footnote 2, chapter 4, on the relationship between hourly and monthly wage rates.
68. *Trudovoe Pravo*, 1959, p. 384. This appears to be the basic formula. For variations of the formula as well as examples of how it is applied, see Kukulevich, 1964, pp. 53–56.

an average of 153 pieces an hour, his earnings are 91.5 kopeks an hour. However, in the case of such overfulfillment of output norm, the worker's basic wage remains at 61 kopeks, or about two-thirds of earnings, while payment for norm overfulfillment constitutes the other third of earnings. As will be discussed in the following chapters, one of the more dramatic results of the 1958–1960 wage reform was the sharp decline in the share of earnings attributed to overfulfillment of output norms.

In the case of norm underfulfillment, earnings are influenced by establishing the responsibility for the poor performance. If the norm is fulfilled, let us say, by only 50 percent (51 pieces) and the blame falls on the individual worker, his hourly earnings are 30.5 kopeks, determined by piece rates without reference to any established minimum wage rates.[69] However, if underfulfillment is due to, let us say, an insufficiency of raw materials,[70] the worker is guaranteed two-thirds of his basic rate, or, in our example, 40.6 kopeks an hour. With norm overfulfillment, there is no ceiling on earnings.[71]

Thus, piece rates are established according to basic wages and measures of normal, or normed, output. A slight variation of the system is indirect piece rate (*kosvennaia sdel'naia*). If an auxiliary worker is charged with providing work materials to ten operators and the latter had an average norm fulfillment of 120 percent, this auxiliary worker would receive 120 percent of his basic wages.[72]

Progressive piece rate (*sdel'no-progressivnaia*) differs from straight piece rate in that the rate paid per unit of output increases with the level of norm fulfillment.[73] Under one variant of this system, the straight rate is paid for output up to 100 percent of norm fulfillment, from 100 to 110 percent the rate is doubled, and for output over

69. Maier (1963, pp. 106–115) objects to this and maintains that the minimum wage should be an absolute floor under wage rates. Also see Chapman, 1964, pp. 7–8, and appendix B.
70. Other such factors would be the breakdown or improper functioning of the machine with which the job is to be performed, substandard raw materials or tools, and unexpected unsanitary or unhealthy conditions in the work space. Kukulevich, 1964, pp. 57–58.
71. Batkaev and Markov, 1964, p. 211.
72. Kostin, 1960, p. 40.
73. This system is simply a variation of the "differential piece-rate plan" developed by Frederick W. Taylor in 1885. See Brennan, 1963, p. 266.

110 percent the rate is tripled.[74] Thus, if we assume that our machine operator was paid according to this progressive system, norm fulfillment would still indicate earnings of 61 kopeks an hour. If, however, his level of norm fulfillment was 150 percent, his wages would be 147 kopeks per hour [75] rather than the 91.5 that he would have received with straight piece rate. In Soviet statistics this difference, here 55.5 kopeks, is identified as "additional wages due to progressive evaluation."

Two additional wage systems are generated by addition of premium or bonus payments for performing some specified task or tasks. These are called the piece-premium (*sdel'no-premialnaia*) and the time-premium (*povremenno-premial'naia*) systems. The magnitude of premium payments is always expressed in percentage terms: for time-rate workers as a percentage of basic wage rates, and for piece-rate workers as a percentage of piece-rate earnings.

Premium systems (henceforth the term will be used to include both time premium and piece premium), with their corresponding additions to earnings, must be distinguished from various prizes and "one-time" premiums.[76] The latter include payments for economizing on fuel,[77] being employed at a winning enterprise in a "socialist competition," [78] development of some technological improvement or rationalization of the productive process,[79] and so on.

74. Aleksandrov, 1958, p. 91; Gurin, 1960, p. 30. The system can become very complex. For example, Bliakhman (1960, p. 18) reported that in 1956 in the chemical industry there existed ten different values for the piece, dependent upon norm fulfillment level. The difference between the highest and lowest value was five to one.

75. The first 102 at 0.6 per piece, the next ten units at 1.2 kopeks each, and from 113 to 153 at 1.8 kopeks each comes to 147 kopeks per hour (61 + 12 + 74).

76. Such payment can be distinguished from regular premiums in two ways. First, according to instructions issued by the Central Statistical Administration, prizes and one-time premiums are not to be included in the enterprise's wage fund, but rather stand as a separate account. (*Biulleten'*, no. 3, 1964, pp. 7–8). Second, these payments are recorded in a worker's labor book to indicate special success in work. Regular premiums are not so recorded. Karinskii, 1963, pp. 123–125.

77. See *Sots. Trud,* no. 4, pp. 135–138.

78. "O Sostave," 1964.

79. The regulations concerning these premiums, as well as examples of how remuneration is to be determined, can be found in *Raschety,* 1965, pp. 116–142. A special sort of payment for technological innovation exists (or did in 1959) for piece-rate workers. If the innovation makes possible greater output and increased work norms, the innovator can continue to be paid according to the old work norm for a period of six months. Aganbegian and Maier, 1959, p. 77. It is impossible to

Under premium systems, additions to wages are a legally established and regular part of earnings determination. The worker is guaranteed a premium payment, usually calculated on a monthly basis,[80] if some specific task is fulfilled, in the same way that the piece-rate worker is guaranteed certain payments with norm overfulfillment. Unlike similar payments to administrative personnel, or bonuses from the material incentive fund established in 1965, the premiums under discussion are not affected by the economic performance of the enterprise or "shop," as measured by indices such as cost reduction or wage fund expenditures.[81]

Several of the major types of premiums that existed for Soviet workers in the early 1960s are presented in table 1.3. A worker may receive more than one of these premiums, with a monthly maximum established according to industrial branch. The ceiling on premium payments established during the wage reform ranged from 20 to 30 percent of basic rates for time-rate workers, and 20 to 30 percent of the piece-rate worker's piece earnings.[82]

Thus, the Soviet worker's earnings are comprised of two elements: the basic wage and various incentive additions to this basic wage. During the recent past, both components have undergone considerable change, and the nature of these changes constitutes the focus of our study.

Structure of This Study

While this study will settle little concerning questions of socialism and equality in the USSR, it will provide the reader with information about, and hopefully some insights into, recent developments in Soviet wage determination. The period under consideration is the past decade

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gauge the importance of this provision. Apparently all such additional earnings are simply included as part of the payments for overfulfillment of work norms.

80. *Raschety*, 1965, p. 23.

81. Kukulevich, 1964, p. 90; Tsederbaum, 1963, p. 139. It might be noted that premiums can be taken away from workers for infractions of labor discipline. Some complaints have appeared that managerial personnel are sometimes overzealous in denying workers' premiums because of minor infractions such as being a few minutes late to work. Karinskii, 1963, pp. 116, 121. The material incentive fund is discussed in chapter 7 of this work.

82. Mutsinov, 1962–1965, p. 609. Under special conditions, this maximum may be raised to 40 percent. The maximums do not apply to the "one-time" premium payments, which are independent of other premiums. *Raschety*, 1963, p. 216. As noted in chapter 4, in 1968 some regulations were changed.

Table 1.3
Illustrations of Major Types of Premium Payments for Soviet Industrial Workers

Type of Premium	Branch of Industry	Possible Premium Recipients	Possible Size of Premium Percentage Addition to Basic Rate for Time-rate or Piece-rate Earnings
Filling and over-filling of output plan for a group of workers or work crew [a]	**Major branches of industry except food products and textiles**	**All workers, time-rate, piece-rate, basic, and auxiliary**	**From 10–20 percent for fulfillment and 1–2 percent for each percentage overfulfillment, differentiated by branch. Maximum increase for piece-workers 20 percent [b]**
Improvement of quality of output	Natural gas, oil refining, ferrous and nonferrous metals, chemicals, cement, textiles, knitting, furs, food products, and printing	Usually basic workers, time-rate and piece-rate	**By branch, up to 30 percent**
Fulfilling tasks competently and on time	In all branches	Usually auxiliary time-rate workers	By branch, up to 30 percent
Completion of repair and maintenance work in allotted or less than allotted time	In all branches	Time-rate and piece-rate workers engaged in such tasks	By branch from 10 to 20 percent [c]
Fulfilling and overfulfilling technically based [b] output norms	Machine construction, textiles, woodworking, and fishing	Basic piece-rate workers	By branch up to 20 percent for fulfillment and 1–2 percent for each percentage over-fulfillment

Note: Constructed according to information given in Maier, 1963, p. 163; Bliakhman, 1964, p. 169; Kapustin, 1961a, pp. 35–36; Mitin, 1962, pp. 362–363; Gurin, 1960, p. 29.
[a] Usually a "bridge" or work crew that may be composed of from four to forty workers. See Bakrakh, 1962a.
[b] A 30 percent maximum possible, under special conditions, for workers on a moving assembly line.
[c] These percentages are for time-rate workers.
[d] Technically based norms are discussed on pp. 49–55.

and a half. During these years, a unique wage structure that stresses consistency and equity has been developing. The period of the wage reform, 1958–1960, will receive most attention. However, prereform conditions provide necessary background, and Soviet wage policy continues to evolve during the more recent period. The goals as well as actual accomplishments of Soviet wage policy are considered.

Attention is directed toward the wages of workers in industry, the group most closely corresponding to Marx's industrial proletariat. Throughout the study, "worker" should be taken as synonomous with the Russian *rabochii*. Excluded from this category are "managerial-technical personnel (through foremen) (*inzhenerno-tekhnicheskie rabotniki*); office workers (*sluzhashchie*) who are clerical and sales personnel; "junior service personnel"; [83] and students. According to Soviet statistical practice, workers are distinguished from other categories of personnel in that their wages generally are calculated on a daily or hourly basis.[84] "Industry," following Soviet usage, includes all manufacturing and mining, but excludes construction and transportation. Thus, we are concerned with approximately twenty million persons, about 83 percent of industrial employment in 1962.[85] Finally, wages and earnings are used synonymously and taken to mean gross money earnings.[86] "Real wages" and "fringe benefits" are alluded to only when necessary to elucidate the discussion of money wages.

The book is in large part organized around the concept of pure wage differentials. Our concern is centered upon the three pure differentials that determine intraindustrial wage differences: on-the-job incentives, skill differentials, and differentials for working conditions. Interindustrial and geographical differentials are discussed when tangential to these considerations. Chapters 2 and 3 concentrate on the scope and structure of various incentive systems of wage payment.

83. Often referred to as M.O.P. (*mladshii obsluzhiaiushchii personal*), personnel who are engaged in nonproductive services—doormen, coatroom attendants, and those who do janitorial tasks not associated with the productive process. Labok, 1962–1965, p. 369.
84. However, see footnote 72.
85. *Nar. Khoz.*, 1962, p. 130.
86. Compared to Western countries, Soviet income taxes are relatively insignificant. Monthly earnings above 100 rubles a month are subject to the maximum marginal rate of 13 percent. No income taxes are paid on earnings under 61 rubles. In January 1968 a reduction in rates for those earning between 61 and 80 rubles a month was announced. See "O Podokhodnom," 1968, p. 140; Kunel'skii, 1968a, p. 85.

Differentiation of earnings according to skill provides the focus for chapters 4 and 5. Chapter 6 discusses differentials for working conditions. A tentative evaluation of the impact upon the wage system of recent reforms in economic administration is developed in chapter 7. The concluding chapter, for the most part, is an evaluation of Soviet wage setting within the general framework of Western labor economics. Two issues have been relegated to appendixes: measurement of interindustry differentials and aggregate measures of earnings inequality. During 1970 Janet Chapman and Norman Kaplan [87] have each published work dealing with these matters in great depth and detail. Thus, these two appendixes are provided as little more than a convenience for the reader.

87. Kaplan, 1970, and Chapman, 1970.