

POLAND/9

15 June 1970

THE FIFTH PLENUM OF THE PUWP CC

Summary: On May 19-20, a Plenum of the PUWP CC was held in Warsaw to discuss the problems concerning, and means of improving, the system of economic incentives in the socialized economy. The Plenum had been announced in March, with the publication of the draft changes in the wage system for industrial employees. It was expected at that time, however, that the Plenum would not take place so soon, in order to offer more time for public discussion of the changes in the wage system.

The final draft presented at the Plenum differs from the draft published in March, but the differences are of little importance, and, moreover, only to a small degree do they include proposals suggested in public discussions. If one compares this debate with earlier discussions of changes in the system of industrial financing, it is obvious that a more -- if not an exclusively -- formal treatment has been given the question of public discussion of the draft changes in the wage system. The haste, and the acceptance of the draft with minor changes despite many counterproposals submitted to date, arose both from the desire to introduce the new system at the beginning of 1971, and from the fear that the inclusion of too many amendments might alter the intentions of the initiators of the draft.

This latest Plenum is the third CC meeting within a year and a half to be devoted to concrete economic problems.

*

*

*

Introduction

According to fairly concurrent opinion, the Fifth Plenum hardly made a brilliant impression; it seems to have been conducted out of a sense of duty and with a haste prompted by the fear that the failure of the CC to settle the matter once and for all, by issuing a definite decision, might result in its being further diluted in the course of subsequent adjustments. An analysis of the discussion and the resolution of the Plenum seems to support this opinion and throws some light on the reason behind such feelings.

Without jumping the gun on the broader discussion of the subject matter contained below, one might point out a highly essential aspect of the last meeting, namely the fact that this was the first time a meeting discussed a concrete part of a future economic system in Poland, and a part, for that matter, of key importance.

Previous CC meetings had perhaps discussed questions of greater importance, but these were questions of less practical weight. As we know, (1) the subject discussed by the Second CC Plenum was the methods of preparing the plan for 1971-1975 and the means of increasing the investment effectiveness. The latter subject was closely tied to the problems of finding organizational-economic solutions in the coming five-year period. However, the discussion was topical, arising from the need immediately to restrict investments and to change their direction. In other words, even without a broad vision of investment policies for the 1971-1975 period, it was necessary to make decisions eliminating obvious mistakes in current investments.

Another CC Plenum which concerned economic questions was the Fourth Plenum. (2) It was devoted to finding ways to increase the effectiveness of research and technical progress. Although there is no doubt that setting these matters straight was another element in preparing an economic reform, yet, in view of their general scope, they provided, together with the other subjects discussed at the Second Plenum, a background or a framework which then had to be filled in with concrete decisions on practical questions.

(1) Antoni Marek, "The Second Plenum of the PUWP CC and Its Background," Polish Background Report/11, Radio Free Europe Research, 27 May 1969.

(2) See Polish Situation Report/92, RFER, 21 November 1969, Item 2.

The first such document was the project for the financing of industry; the second was the project concerning changes in the wage system of industrial employees.(3) While the industrial financing draft became the subject of a public discussion stretching over several months and was succinctly summed up by Minister of Finance Jozef Trendota,(4) the draft of the changes in the wage system, after a much shorter and far-from-conclusive press discussion, was submitted to a CC discussion, after which it was issued as a Party decision no longer subject to discussion. The difference in the fate of the two drafts is characteristic, since the latter -- of vital interest to the population -- provoked an extremely lively exchange of views, frequently highly critical ones, in the factories. With regard to the financing of industry, the Party was apparently willing to permit a broad discussion among experts, since the issue did not directly concern the workers. In the case of the wage system, however, which is of immediate interest to the workers, no such discussion could be permitted.

1) The Report of Boleslaw Jaszczuk

The atmosphere of haste, due to practical considerations and to the desire to settle the matter despite critical statements made in the discussion -- which, incidentally, was never formally closed -- is also clear in the Plenum documents published in the Party press.(5) Boleslaw Jaszczuk's report(6) does contain a few proposals which differ from the initial draft, but these are typically self-corrections and not a compendium of suggestions stemming from below. As a matter of fact, the actual corrections do not involve the essence of the suggested system.

(3) For details of the draft omitted here, see Antoni Marek, "The Draft of a New Wage System in Poland," Polish Background Report/2, RFER, 1 April 1970.

(4) Zycie Gospodarcze, 10 May 1970.

(5) These include a report, the discussion, and the closing statement by Wladyslaw Gomulka, as well as the final resolution as published in Trybuna Ludu in its issues of 20, 21, 22, 24 and 25 May 1970.

(6) Formally entitled, "Report of Politburo Member and CC PUWP Secretary," and not "Politburo Report."

According to Jaszczuk's report, annual bonuses based on the results achieved in the previous year will be paid to white-collar workers. Until the annual balance sheet is approved, the employees will receive advances on the bonus not exceeding the sums paid as bonuses in the course of 1970. The bonuses paid to members of a factory management should grow only at such a rate that the rise in pay of that management group is no larger, percentage-wise, than that attained earlier in the given factory. This anti-elitarian accent also appears in the discussion on other Plenum documents.

In two cases, the wages of the workers may grow faster than those of white-collar employees:

1. When the wages of workers in a given enterprise are obviously lower than in other enterprises in the same branch; and
2. When there is a very great difference between the wages of the workers and the administrative personnel in the given enterprise.

This is one of the rare decisions influenced by statements made during the discussion.

Among the more important corrections, one might note the integration of the new wage system with the export bonus system /it will be taken into consideration when determining the "basic level" of bonuses in the 1971-1975 period/ and the creation of the so-called industrial association reserve fund. The reserve fund will include surpluses in the workers' wage fund of associated enterprises (should the growth in this fund outdistance that of the white-collar wage fund) rather than having these surpluses turned over to the factory social fund, as previously proposed.

Another new decision involves the creation, from part of the workers' wage improvement fund, of a foremen's fund, which will be put at the disposal of the foreman in charge and set aside for immediate payment of bonuses to workers fulfilling tasks above and beyond the call of duty.

Part of Jaszczuk's report was devoted to purely technical decisions (rate of practical implementation of the new system, the priorities, etc.).

There was also the usual "warning" addressed to the management, which, "should it fail to keep up with greater requirements, will lose its chance for professional advancement."

No such elegant expression was employed during the course of the discussions, when it was clearly suggested that such administrators would be demoted.

2) Discussion

In the course of the two-day discussion, some 40 speakers, most of them not CC members, had their say. Against a background of generally quite dull statements, a few stand out and are worthy of attention. One almost gets the feeling that the speeches had been to some extent orchestrated. In general, the following matters were raised in them:

1. A review of the current economic situation, with special attention to the effects, in the first quarter of this year, of the government decisions made at the end of last year;

2. Undertakings designed to limit deficits in state enterprises;

3. Counteraction to date and suggested for the future of tendencies to "distort" the intentions of the proposed wage system;

4. Affirmation of the continuity of Party undertakings, and, in particular, of the resolutions of the Second and Fourth Plenums; as a rule, the need for the current attempts at improvement was blamed on failure to implement the resolutions of the Seventh Plenum of the last CC;

5. Threats addressed to the executives of economic organizations.

It is worth examining these themes in somewhat greater detail, basing ourselves on the more interesting statements made at the Plenum.

The evaluation of the current economic situation appeared most optimistic in the statements of the majority of speakers. There was general emphasis on the increased role played by improved labor productivity in production growth in the first four months of the year (between 60 and 80 per cent, as opposed to an average of 50 per cent last year). This optimism was discounted heavily by Deputy Premier Piotr Jaroszewicz, however, who stressed that:

An analysis of the current economic situation unfortunately fails to reveal any great accomplishments....
The ratio between growth of employment and labor productivity in production increase did improve somewhat in the first quarter. It must be emphasized that this was accomplished through strict administrative orders ... and not because of anything the enterprises did. Emphasis added/

One must admit that Jaroszewicz's speech is one of the most interesting statements made at the Plenum. It is devoid of generalizations, and throughout it expresses sharp criticism of managers. It is equally devoid, however, of consistency, if one considers that this man, for all practical purposes head of the government, is responsible for the current state of the economy now subject to criticism.

The speeches delivered at the Plenum, including that of Jaroszewicz, contained clear warnings that indolence or inefficiency would be punished by personal criticism. If a speaker represented the central administration, he directed his warnings mainly to enterprise managements; conversely, if he represented a voivodship organization, his targets were ministerial or association leaders.

Thus, for instance, Stanislaw Kujda, First Secretary of the Koszalin Voivodship Party Committee, believed that "people directly employed in production were the first to understand the real meaning of the changes prepared by the CC."

Tadeusz Pyka, secretary of the Katowice Voivodship Party Committee, blamed the activities of the central administration for the stagnation in industry:

One could cite dozens of examples from the experiences of our voivodship alone of how the difficulties of overcoming barriers raised by ministries or the parochial interests of industrial associations thwart justified and reasonable undertakings in fields such as specialization of production, simplification of co-operative ties, or the application of various forms of interenterprise and interministerial co-ordination.

Interestingly enough, such statements were made chiefly in connection with the resolutions of the Seventh Plenum, which were frequently cited during the discussion. One might remember that the Seventh Plenum was held on 28-29 October 1966 and ended with a resolution creating, among other things, factory

commissions for work organization and management. These commissions were to make suggestions for eliminating over-employment and, generally speaking, for utilizing all the reserves available in the enterprises. In the beginning, the whole project was widely publicized; later, as is usual in the implementing of a Party resolution, the problem ceased to be "fashionable," and the whole affair died a natural death after the proclamation of subsequent, new economic drives. The publicity given today to the resolutions of that particular Plenum does not seem especially justified, since there have been many similar resolutions in the past and no one has bothered to make a detailed account of how they were complied with. The only things justifying the attempts to find an analogy between the current and earlier projects are their form and scope, in both cases designed to activate organic work at the base. Another fact remains, namely the intention to demonstrate consistency in implementing every Party resolution as a memento mori for the current undertakings. This might also explain the reason why, during the Fifth Plenum, the state of implementation of resolutions of the Seventh Plenum (four years after it had taken place and three years since a special inter-ministerial commission had stopped working on it) was made public.

Another subject raised very frequently by the speakers was the problem of deficit enterprises. They were discussed for two reasons: first a practical one, arising from the fact that the new wage system will not be applied in those enterprises; and second a circumstantial one, because the government had issued a decision immediately before the Plenum designed to eliminate deficits from enterprises in the central plan(7). We shall return to this matter in discussing the closing speech by Wladyslaw Gomułka.

Many speakers mentioned the problem of "distorting" the intentions of the originators of a project, which mainly came down to accusations that the enterprises manipulated indices which formed the basis of bonus payments in such a way as to get the most money with the least effort. Interestingly enough, there is an obvious effort to avoid the alternate profit margin index, probably because of the practical difficulties involved in bypassing this criterion by resorting to tricks that would magnify the degree to which production has been improved. It is equally interesting that leading Party functionaries are now calling for the use of this index as a synthetic criterion of the economic achievements of the larger enterprises. One action the Plenum took was to recommend that a commission establish the kind of

(7) For more details, see Polish Situation Report/33, RFER, 29 May 1970, Item 4.

synthetic index to be used by enterprises, disregarding the wishes of those involved if they should run counter to the decision of the commission. Illustrations of such central administrative cunning were given by Deputy Director Tadeusz Kierczynski of the Finance Institute who, appearing as an expert, submitted to the assembly a whole list of tricks which might be employed by industrial managements. Point after point, he drew the picture and outlined the consecutive stages of the anticipated distortions of the system, and ended by saying that they will do the enterprises no good, since the system will automatically turn against "wise guys." This speech, though unique of its kind, does give some idea of the atmosphere in which the discussion took place.

Of the rare statements containing critical overtones, one should note those of certain Party voivodship committee secretaries:

The incentive mechanism will not compensate for the lack of initiative among men who, holding responsible posts in the administration, do not always fulfill their duties, or do not always fulfill them properly.

(Mieczyslaw Hebda, First Secretary in
Zielona Gora Voivodship)

We cannot accept as correct that, in general, personnel changes or sanctions against those who fail to fulfill their duties be made by Party organizations. We expect the same approach from the economic administration.

(Jan Przytarski, Bydgoszcz Voivodship
Committee Party Secretary)

But these voices express criticism according to the currently fashionable line. Against this background, there is the unusually sharp and skeptical speech by Tadeusz Pyka. One of the things he mentioned was the important question of enterprises which have been working well up to now, and which, precisely because of their present high productivity, will be "punished" for their earlier successes. As if warning against the possible result of the demagogic approach apparent in other speeches, he said:

If the managements of enterprises are to fulfill the roles established for them at the present Plenum, we must not leave them on their own, we must help them. In no case should we permit any discord between the management and the rest of the workers.

Unlike other speakers, he does not courteously praise the designer of the draft; on the contrary, he sees better solutions:

The draft designed to change the system of economic incentives was accepted by the foundry workers as a necessary and justified move in line with their interests and with their own demands. The foundry industry, like other industrial branches, awaits approval of the concepts presented by themselves for the coming five-year period, which will only then result in the appropriate selection of payment incentive for the whole branch. (Emphasis added)

Further on in his speech, Pyka seemed on the verge expressing a vote of nonconfidence in the new improvers of the economy.

The basic source of new weaknesses still lies in the lack of a searching, long-range view of the whole economy.... Under such circumstances, our economic cadres are busy solving fragmentary tasks, not always of the greatest importance. (Emphasis added)

He probably has in mind here, among other things, the necessity to reform supply prices, since he states in another part of his speech that:

Without a parallel, and rapidly prepared and implemented, reform of supply prices, the changes in the sphere of industrial material incentives alone will not guarantee full intensification of economic development.

This is a fully justified remark, when one considers that the reform is to run until 1972. He does not accept the new wage system without reservations as still another inspiration of the central authorities:

One should aim for a consistent implementation of the new system, however with the possibility of corrections wherever they should appear necessary. (Emphasis added)

Naturally, Pyka did not speak for himself alone; he was the spokesman for the skeptical approach to the new proposals and for the hurt pride of Silesian leaders.

Proof that the "Pyka case" was only one indication of the existence of discord can be found in the statement by Minister

of Mining and Power Jan Mitrega, who, because of his field of interest, was another spokesman for Silesia. Discussing the achievements of the mining industry, he said, inter alia:

These concrete achievements prove the undeniable success of the earlier wage incentives, combined with the appropriate technological and organizational system. (Emphasis added)

Ignoring the frequently emphasized principles of accepting, for the new system, the 1970 wage level as the basis for the whole five-year period, he strongly demanded that wage increases for certain mine employees be settled in a different fashion.

The stand taken by the representatives of Silesia confirms the fact that the dispute between Silesia and the central administration -- a dispute which in the recent past had been less evident -- still continues to smoulder. The origins of this dispute go back to the early Sixties, when the central authorities, anxious to provide a more even development of industry all over Poland, began to curb some of the special favors previously given to Silesia. The dispute had further sharpened between 1964 and 1965, because of the differences of opinion as to how far the decentralization in the management of industry could be extended. In the next phase, starting in 1968, the manifestations of this dispute became less pronounced -- a fact which, to a certain extent, was directly connected with the growing influence of Jaszczuk, who is probably the main antagonist of Edward Gierek. The above-mentioned differences of opinion, which came to light at the PUWP CC Fifth Plenum, are the first indications to appear for a long time that an alternative concept of the management of industry exists. This does not mean that this alternative concept is necessarily more radical than that identified with Jaszczuk. From observations to date, it can be concluded that the essence of the Silesian concept is fundamentally nothing more than an attempt to maintain the status quo -- but with simultaneous assurance of efficient co-operation and effective supervision, with technical circles playing a greater role in the decisions which are being undertaken.(8)

(8) For more details, see Antoni Marek: "Edward Gierek -- Opinions and Facts," Polish Background Report, RFER, 3 August 1967.

The speeches of the Silesian representatives were certainly the most interesting, even somewhat sensational, aspects of the Plenum. For the sake of honest reporting, however, one should also note a few other remarks.

Kazimierz Barcikowski, First Secretary of the Poznan Voivodship Committee, pointed out the fear among employees that the rise in consumer goods' prices will have an effect on the level of nominal (sic!) wages.

Tadeusz Kochanowicz, chairman of the Commission on Organization and Management, expressed the belief that the struggle against the growth of administration should begin with cutting down on the central apparat, "and this is no easy thing."

Deputy Premier Jozef Kulesza concentrated his attention on the problem of government supervision of the implementation of resolutions. It is clear from his speech that the rumors that he will take over the problems connected with the control of the economic administration and with the social repercussions of economic activities are well founded. Interestingly enough, Jozef Pajestka, one of the most committed supporters -- some even say the originator -- of the Jaszczuk project, did not speak during the discussion.

Ignacy Loga-Sowinski, chairman of the Central Council of Trade Unions, stood up for his use of the recently somewhat unpopular turn of phrase "the Politburo and Comrade Wieslaw personally," and other awkward expressions. A few other speakers outside the trade union apparat also submitted timidly worded fears as to the present position of the trade union organizations in factories and the possibility of their exerting an influence on the current functioning of the system.

3) The Closing Speech by Wladyslaw Gomulka

It cannot be considered insignificant that this speech -- made on the second day of the discussion, i.e., May 20 -- was not published until Sunday, May 24. This is not an allusion to the editorial work connected with making the speeches of the Party First Secretary "legible," but to the fact that the Sunday edition of Trybuna Ludu is not distributed in factories and thus fails to reach that circle of readers of Party propaganda. (9)

(9) From the technical point of view, the speech could have been printed in the Saturday issue on May 23. This issue did not contain any report on the Plenum at all.

In similar fashion, Radio Warsaw gave an extensive (over half an hour) summary of Gomulka's speech at a peculiar time -- 0710 hours on Sunday morning -- obviously aware that it would reach only a very limited audience. One should not draw too far-reaching conclusions from this fact, but one can hardly escape the impression that it was an intentional attempt to limit the audience of the First Party Secretary.

These intentions are partially explained by the fact that Gomulka's speech, despite editing, reveals the extent to which the other statements published in the press were censored. In his speech, Gomulka polemicized with arguments of which no trace can be found in the texts of the other speeches as published in Trybuna Ludu.

The better part of Gomulka's speech is devoted -- as is usual in such circumstances -- to elucidating matters which were not "correctly understood" in the discussion. This is a typical device, whereby any criticism is explained as being the result of a misunderstanding. On such occasions, Gomulka also usually unveils certain unpopular details, smuggled in amid a wealth of less interesting technical fine points. And so he did this time.

His speech actually offered some explanation for the dissatisfaction with the new system expressed by the Silesian representatives. As we know, wages in Silesia are much above the average level. The new system, as Gomulka authoritatively made clear to Tadeusz Pyka, anticipates a narrowing of these wage differences:

There are certain industrial branches and enterprises where wages and bonuses are relatively high. For these enterprises, a lower ceiling must be set on bonus growth during the next five years. There may even be cases where the rise in bonuses will fall below 30 per cent.

Apparently nervous about such an obvious affront to Silesia, he resorted to rather rash argumentation, maintaining that funds for wages should be distributed in such a way that "increases should be received by employees to whom they are due, and not by those who already enjoy a high wage ceiling at the present time." Of other matters, one should note in the speech:

1. The announced general introduction of multiple shift work in industry, with the proviso that, should there be a shortage of local manpower, enterprises going over to shift work would be deprived of a certain part of their equipment;
2. The announced consistent fight against deficits in enter-

prises, including the possibility of eliminating unprofitable production lines altogether;

3) Approval of an experimental wage system to be introduced in certain enterprises as of 1 July 1970.

This last proposal was probably advanced in the hope that the confrontation with real life will preserve the economy from the implementation of a number of solutions imposed arbitrarily and already questioned as impractical.

The particular atmosphere in the Party at the present time is also suggested by Gomulka's attitude toward the role of Party organizations during the period when the changes in the economic system are being prepared.

The tasks of the Party and the tasks of the administration differ, but both the Party and the administration have the same goal. It is not a good thing for the Party to take over administrative functions, but, unfortunately, this does happen on a limited scale here and there, because the administration fails to fulfill its duties properly.

This attitude offers further justification for Party interference in the economy. And the numerous threats expressed at this Plenum were not addressed to the Party apparatus:

The managerial cadres will be checked according to this yardstick: either you can cope with the new tasks, or you will have to leave your post.

4) The Resolution of the PUWP CC Fifth Plenum

In view of the extensive description of the subject matter of the Plenum made in the above review of the report, the discussion, and the closing statement, only decisions not covered above need be mentioned here.

The resolution accepts as justified the changes suggested in Jaszczuk's report. It anticipates, among other things, that the distribution of the bonus fund will be decided upon by the management, after consultation with the works council and with the approval of the industrial association. The fund set aside for wage increases for workers will be diminished by the sums spent on the wages of workers classified as "excessive employment."

In the part devoted to wage incentives for greater

exports, the intentions of the authors of the new system have been expressed in a manner rather drastic in view of the conventions accepted in the vocabulary of the bloc countries: export targets (and bonuses) are divided between exports to Communist and to capitalist countries. However, loss of bonus is caused only by failure to fulfill the target as far as the latter are concerned. Failure to fulfill export plans to the Communist countries while exceeding exports to capitalist ones does not entail loss of bonus.

By the end of June, the appropriate ministers and industrial associations are to establish various types of synthetic indices and sector targets. The new system is to be introduced on 1 January 1971 in those enterprises which offer the guarantee of "honest" (sic!) establishment of, and accounting for, bonus tasks. Other enterprises will introduce the system six months later.

The resolution places responsibility for the introduction of the new wage system above all on the economic administration. In order to leave no room for doubt in this respect, it states that:

The Party organizations will have to devote special attention to the selection of the men who will be establishing the bonus targets for enterprises.

5) Conclusion

Despite the formally "futuristic" subject matter of the latest Plenum, an evaluation of it and its intended purposes would not be complete without a review of the current state of the national economy. For a year and a half, a campaign has been waged in Poland to switch the economy over to selective development. This is no place to deliberate on whether the selections made currently are based in every case on an analysis free of voluntaristic tendencies. Despite the obvious continuation of a number of mistakes engendered in the past, a great deal has been done, and much more has been said. On the one hand, imagination was stirred, on the other, conflicts were awakened which might well become the inevitable concomitants of the approaching change. One of the main conflicts is the increasing discord between the Party and the economic bureaucracy sponsored by it, and the freshly acute conflict with the administration of Silesia. The profound differences between the two concepts of economic management ascribed to their main spokesmen, Edward Gierek and Boleslaw Jaszczuk, have here once again been clearly voiced.

To date, it has seemed that the offensive conducted by Jaszczuk was advancing from success to success. But, up to now, these successes have been apparent mostly in words and on paper. The new team needs another kind of victory, a true and real sign of positive changes in the economy. Attempts to create the impression that such signs exist were obvious at the Plenum. These were abruptly stopped, since they portended expressions of criticism by known or potential opponents. It thus transpires that real success is still to be hoped for.

In the meantime, signs of apparent positive changes are created by forcing through a rise in overtime, rather than in employment. This solely in order to show that, even with frozen employment, production may be increased.(10) At the same time, it transpires that the better part of the increased production is still being stockpiled rather than sold.

Hence perhaps the nervous haste and the signs of a certain determination emerging from the reports of the Fifth Plenum.

Antoni Marek
(Polish Unit)

(10) From a speech by Michal Krukowski, chairman of the Labor and Wage Committee:

Employment inspectors checked about 120 enterprises of key industries in April of this year. The check-up showed that in one fourth of these enterprises the number of hours of absenteeism rose from 10 to 50 per cent, while half the enterprises have already used up from 30 to 75 per cent of their annual overtime limits, and another one fourth of the enterprises have exceeded their wage funds.