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Background Report  
(Rumanian Unit)

THE LATEST RUMANIAN PRICE AND WAGE CONCESSIONS: AN  
ANALYSIS x)

Following the pattern of the last two years, the Rumanian regime on July 27 decreed a limited price reduction on the eve of the "Liberation Day" (August 23).

At the same time, a 10 per cent wage increase was granted to workers and administrative personnel along with a 15 per cent increase of the salaries of some specialized personnel like teachers, journalists, medical and sanitary staffs.

The concluding part of the decree revealed that the measures were considered as incentives to the people saddled with the heavy burden of the Six-Year Plan (1960-1965). At least regarding some consumer goods, it appears that "summer sales" motives have played a certain role, in view of their excessive prices and poor quality.

Although it must be said from the beginning that the standard of living will still be very low, even after the new price reduction, and that the full benefit of the wage increases will become effective only by 1963, these concessions, if they are not offset by a quiet hiking of the prices of some basic commodities as has been the case in the past, will represent a welcome improvement.

However, in view of the accent placed on the so-called accumulation fund (which is estimated by Western economists to be substantially larger than the 20 per cent claimed by official sources) the steep increase of investment (to double by 1965 over 1959) and the disproportion of investment in the A and B sectors of industry (a ratio of 89.3 to 10.7 is planned for the 1960-65 period) it is difficult to foresee a very substantial increase of the living standard in the next few years. Possibly the recent impromptu remarks made by Soviet leaders about a more balanced development of industry and of equal rates of growth of the

(x) This paper is an amplification of Research and Evaluation Department News Background: "Salary Increase and Price Reduction in Rumania" of 28.7.61.

production of the A and B sectors in the Soviet Union will have some beneficial effects on planning and hence on living standards in the East European countries.

The communiqué issued on 27 July 1961 did not specify the benefit of the population expected to result from the price reduction alone as has been done with concessions in recent years. Both the price cuts of 10 August 1959 and 25 July 1960 were each officially estimated to provide an indirect increase in the cash income of the population of one billion lei. The regime published now only the overall figure of 400 million lei as representing the benefit of both the wage increase and price cut in the remaining five months of 1961. This increase of cash income is estimated by the regime to increase to 2.5 billion lei in 1962 and five billion lei by 1963 when all specified categories of workers and employees will receive their salary raise.

This amount is lower than the "more than six billion lei" (actually 6.7 billion lei) claimed by the present communiqué as representing the total annual increase of the cash income of the population resulting from the price cuts of August 1959 and July 1960, the wage and pension increases of August 1959, the tax cut of the same date and the August 1960 salary increase for technical personnel such as engineers, foremen, technicians.

(This sum of 6.7 billion lei included also the price cut for wines and liquor of 26 July 1959 and the free issue of textbooks for pupils which took effect at the beginning of the last school year.)

The benefit of 400 million lei for this year represents only seven per cent of the 5.7 billion lei obtained by the Rumanian worker through the overfulfillment of the industrial production plan and the overfulfillment of the plan for the reduction of production costs in 1960 and the first half of 1961 (4.5 billion lei for the production plan and 1.2 billion for the reduction of production costs.) Even if one adds to the 400 million lei the increased cash income for 1960 and 1961 resulting from the price reduction of July 1960 and the salary increase for technical personnel of August 1960 which were granted on the basis of the overfulfillment of production and economies' plans for 1959 and the first half of 1960, i.e. twice two billion lei plus 400 million lei which equals 4.4 billion lei, even this total does not reach the 6.7 billion surplus obtained since the beginning of 1960.



#### A) THE PRICE REDUCTION

In contrast to the price reductions of the past two years, no exact data on the range of items was given. (In August 1959, 2,600 items were mentioned and in July 1960 1,100.) Moreover the few categories of items listed in the present communiqué do not include food items at all. An unpublicized increase by 20-27 per cent of the prices of meat and dairy products, accompanied the reduction of the prices of the imported tropical fruit, coffee, cocoa, in August 1959. Nor is any reduction offered for a series of other goods of mass consumption such as regular textiles made of wool, cotton or silk, furniture, cars, motorcycles, bicycles, or cement, timber and agricultural appliances needed in the countryside.

#### List of Price Reductions

The reduction by 15-40 per cent of the prices of some electrical household appliances is to be explained both by the reduction of the production costs in this industrial branch which developed in recent years to the point where a certain degree of rationalization of production could be achieved, and by the high prices of such goods which led to unsold stocks which in turn blocked investments. The same applies to the 15 per cent reduction of the price of sewing machines. In view of the development of the chemical industry, the same criteria have obviously played a role in the 15-20 per cent cut of the price of suits and dresses made of artificial yarns, and some types of footwear with rubber soles. (Thirteen per cent reduction.) The prices of some office and school appliances were cut by 39 per cent. The price of some types of linen (cloth) and ready made clothing made of linen (cloth) was cut by 16 per cent.

More important is the cut of the charge for electric current for lighting and heating (private consumption) by 27 per cent. According to information available here the charge was 0.65 leu per kwh for private consumption (1.10 leu per kwh for industrial purposes), a tariff which is very high in comparison to West-European standard. According to a recent source, the average charge for electric current for a family of three (three rooms, kitchen, radio) was estimated at 30 lei per month. (Six lei to the dollar-official rate; 12 lei to the dollar-tourist rate.)

At the same time the decree said that the charge for electrical installation was reduced on the average by 20 per cent.

The decree did not mention whether some electrical

household appliances to be included in the lists of price reductions are imported, nor whether the lists will include radio and TV sets, but it is known from previous years that the reduction of the price of very expensive imported Soviet, East-German or Czechoslovak radio sets, vacuum cleaners or motorcycles amounted to real summer sales, since practically nobody could afford the purchase of such high priced goods. The price of vacuum cleaners of the "Racheta" type was reduced in August 1959 from 1,050 lei to 925 lei; the "Uraletz" type from 1,350 to 1,190 lei (Soviet model). On 25 July 1960 the price of imported vacuum cleaners was cut again by 10-18 per cent.

The price of footwear with rubber soles was reduced already in July 1960 by seven to 32 per cent; the price of frigidaires of the "Wild" and "Saratov" (Soviet model) type were reduced in July 1960 already by 17-18 per cent.

It appears from the text of the present communiqué that complete lists of price reductions are still to be elaborated by the various ministries, artisan cooperatives, etc.

#### B) THE TARIFF WAGE INCREASE

The average increase of the workers' wages and salaries of administrative personnel decreed on 27 July 1961 amounts to 10 per cent, that of some categories of specialized personnel to 15 per cent.

Interesting in this connection is the fact that these raises were stretched this time over a quite long period of time. No official reasons were given but as was mentioned in News Background Report of 28 July 1961, it can be assumed that the shortage of financial means for this purpose, technical-administrative difficulties, the regime's intention to create an impression of stability and foresight and to use the qualified increases as a carrot for sustained and new efforts, increase of productivity and quality, etc., have played a role in the delay. It may be recalled in this connection that the last wage increase decreed in Bulgaria in December 1959 was stretched over a period of one year for the officially admitted reason of required funds.

It is possible that another factor consisted in the regime's anxiousness to prevent a sudden increase of the buying power of the population, though this argument obviously does not apply to those categories of goods which for reasons of excessive prices or poor quality have accumulated in large unsold stocks.



Noteworthy is the accent placed this time again on the increase of low wages. Thus the minimum wage in the economy is now 520 lei per month (\$ 87 at the official exchange rate, \$ 43 at the tourist rate and about \$ 20 at the black market rate), against the minimum level of 470 lei granted on 1 August 1959 (470-560 lei according to various categories of unqualified workers).

The average wage of an industrial worker was 700-800 lei per month. The regime appears to be eager to demonstrate that the span between low and high salaries is shrinking. This time the rate of wage increase of workers and employees in the administration is the same, 10 per cent on the average and only some categories of specialized employees got a 15 per cent raise.

The Yugoslav paper "Politika" of 11 February 1960 pointed out on the occasion of the August 1959 wage increase in Rumania that engineers and technical-administrative personnel received then a lower increase (eight per cent) than workers (10 per cent) and foremen (20 per cent). It could be argued of course at that time that the foremen appeared to become privileged as a "class per se" in comparison to average workers.

The granting of wage increases to workers will take place in the period from 1 August 1961 to 1 November 1962.

Workers in bakeries and mills (the "recent" major headache of the regime) will be first to receive on 1 August 1961 a raise in the qualified form of a premium for improved quality of bread. The food industry follows on 1 September 1961, the clothing industry on October 1, the textile industry on November 1 and the machine building industry on 1 December 1961. The premiums to be granted as before to workers will be based to a larger extent on the quality of the work produced.

The communiqué also said that the classification and promotion of workers will be based on practical tests before a technical commission of the respective enterprise with priority placed a length of service, experience and quality of produced goods. This provision recalls the qualified wage increases of 20 per cent granted to foremen. It is obvious that part of the expected benefits will again be reduced by the fact that through a new classification of workers, some of them will find themselves in a lower wage bracket. This step is regarded by the regime as an "improvement of the rules for the classification of workers in various categories of qualification".

### Wage Increase for Specialized Personnel

The wages of didactic personnel of elementary schools and pre-scholar teaching will also increase by 10 per cent; teachers of professional and general culture (education) schools will get a 15 per cent raise; the same applies to didactic personnel of universities, and institutes.

Noteworthy is the 15 per cent raise (in this period of stepped-up propaganda) for specialized personnel of the press and publishing houses.

The salaries of the above-mentioned categories will be raised already on 1 September 1961. On 1 October 1961 medical-sanitary personnel with higher qualification will receive a raise of 15 per cent; lower-qualified personnel 10 per cent. Specialized personnel of the art, cultural and justice sectors will benefit by a 10 per cent salary increase in the course of 1962.

Administrative personnel will get an average 10 per cent increase of the tariff salary, again with the accent placed on lower salary brackets. The timing will be the same as that of the specialized personnel of the respective branch. The personnel of central administration and of the people's councils will get their average 10 per cent raise on 1 December 1961.

The communiqué said that the Trade Unions will be consulted on the implementation of the above listed measures.

As mentioned in F 44 of 28 July 1961, the price reduction and wage increase should be considered in the framework of the directives of the Third Party Congress which provided for a 40-45 per cent increase in real incomes by 1965 over the second half of 1959. In 1960, the first year of the Six-Year Plan, the regime has claimed that real incomes rose by 11 per cent over 1959. Gheorghiu-Dej stated ("Scanteia" of 1 November 1960) that the (financial) income of the population derived from wages (alone) would increase in 1961 by about 11 per cent. It may be recalled that the number of wage earners was planned to increase by 200,000 to 3,440,000 -- seven per cent -- in 1961. In 1959, out of a total average scriptic number of 3,058,400 wage earners in the national economy, 2,151,200 were workers (1,013,900 in industry excluding construction).

### A Final Note on the National Income

In the preamble of the present decree, it was not only the overfulfillment of production and production cost plans in



1960 and the first half of 1961 which were presented as a basis for the granted wage increase and price cut but also the increase of the national income which was said to "create favorable conditions for the increase of the income of the toiling people". In reality the underfulfillment of the planned increase of the national income for 1960 (eight per cent instead of the goal of 12.5 per cent) may have been a factor determining the rather modest character of the concessions announced this time, particularly regarding the insufficient price reduction. The national income is planned to increase in 1961 by 15 per cent, a goal which does not depend only on the fulfillment and probable overfulfillment of the overall industrial production plan but also on other important sources of income such as agriculture, the production of which is planned to increase by as much as 19 per cent this year. The average pay in kind and cash for the work-day in kolkhozes (120 compulsory work days annually) amounted in 1960 to only 19 lei.

The 27 July 1961 decree made it clear in its concluding paragraph that the regime expects "intensified efforts for the fulfillment of the Six-Year Plan (1960-1965).

End