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USSR/65.

USSR: Economics

13 May 1969

RESIDUAL WAGE PRINCIPLE CONTINUES UNDER PROPOSED SOVIET KOLKHOZ STATUTE

Summary: In spite of official Soviet statements which claim the abandonment of the residual claimant system of pay for kolkhoz workers, the proposed kolkhoz regulations will continue to maintain the old wage payment principle. The main difference between the present and proposed practices resides in the fact that under the current regulations the accounting period for such payments is largely confined to one year, while under the proposed rules the accounting period for the residual wage payments may cover several accounting periods of a number of years duration.

The claim of a Pravda editorial that the "guaranteed labor wage" provision in the Soviet draft model collective farm statute "puts an end forever to the so-called residual wage principle fixed in the old rules" is either the result of ignorance or an attempt to mislead its readers. (1)

The current method of wage payment is characterized as one which follows the "residual wage principle" because the kolkhoz members share in whatever income remains after the farm has met all of its obligations. The higher the residual, the greater is the pay and vice-versa. On occasion the state has provided the kolkhoz with "loans" for current wage payments which were cancelled after the farm showed that it was unable to repay the debt.

(1) "Toward New Victories of the Kolkhoz System," Pravda, 25 April 1969.

Under the proposed model kolkhoz statute these provisions are particularly relevant. (2) In general they provide:

- 1) a "guaranteed remuneration of labor for members" with a variable part of earnings dependent on the performance of the kolkhoz members and kolkhoz sub-units;
- 2) "financial autonomy" of the farm and full responsibility for the obligations and debts of the kolkhoz; and
- 3) the "indivisible" nature of the "basic and working productive capital" and also of the "basic non-productive funds."

One needs only to ask what happens when a kolkhoz cannot meet its guaranteed wage bill out of current receipts. Since the kolkhoz cannot pay wages by distributing the investment funds and the state budget no longer is to provide a possible alternative source, the kolkhoz can only pay its members the guaranteed wage by withdrawing the required sums for a previously accumulated wage reserve fund or by borrowing from the bank the necessary amount which will be repaid, with interest, out of future kolkhoz earnings. Both of these possibilities demonstrate the fallacy of the conclusions found in the Pravda editorial which claim the end of the residual wage principle.

Since wage payments in the future are to be divided into two parts, the guaranteed wage component and the variable wage share, wages will vary depending upon the residual represented by the share of profits or receipts in excess of expenditures, taxes and fund allotments. Thus, the level of wage payments is directly affected by the residual. Whenever the receipts fall below the level necessary to pay the guaranteed wage component, the kolkhoz borrows from the bank an amount which is repayable. The following year, if the kolkhoz has a sum in excess of the amount needed to pay the guaranteed wage, the workers will not be able to share in a potential residual to the extent of the loan repayment plus interest charges. Thus, because of the lack of funds to pay the guaranteed wage for previous periods, the size of wage payments depends on the residual which has been reduced. Similarly, when the kolkhoz dips into the wage reserve fund, this amount represents a sum which the workers had previously foregone. Thus the residual for wage distribution had been reduced in the previous accounting period and wage payments in that period were correspondingly less. In both the loan case and the depletion of the wage reserve situation, the residual wage principle is maintained. Under the proposed system, the residual wage payment period covers more than a single year, while under current rules the residual wage principle is based on a single year's receipts. This is the main difference.

(2) Pravda, 24 April 1969.

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Finally, under the current residual wage system, society as a whole supported kolkhos wage payments with budget subsidies. If the proposed regulations are adopted, this will no longer be the case, and the members themselves will finance the guaranteed wage either out of previously foregone wage receipts which had been put in the reserve wage fund or out of their future wage income when the bank loans are repaid. In the latter case the potential average wage payment is reduced over the several years needed to repay the bank debt incurred previously in order to "guarantee" the stipulated minimum wage payments.

What at first glance may look like an improvement in payment principles through the development of the "magic word" "guaranteed wage," turns out on closer examination to be no more than a "slight of hand."

Harry Trend

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