

# RADIO FREE EUROPE *Research*

## TARGET AREA

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### THE BEST METHODS OF INCOME DISTRIBUTION AND BONUS

#### PAYMENT IN THE FARMERS' COOPERATIVES

(including a description of the Nadudvar system)

Partial text of a booklet  
issued by the Hungarian  
Ministry of Agriculture

RADIO FREE EUROPE Research

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The following material is a translation of a selection of the contents of a special booklet, issued on 10 January 1963 by the Hungarian Ministry of Agriculture, whose purpose is to emphasize the importance of keeping Hungary's collectivized peasants content and devoted to their work, as well as to provide various examples of especially effective work incentive methods. The general introductory section is followed by contributions from the presidents of successful kolkhozes who describe in detail their own particular experiences with working out the most effective means of stimulating work incentives and productivity.

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THE BEST METHODS OF INCOME DISTRIBUTION AND BONUS  
PAYMENT IN THE FARMERS' COOPERATIVES

(Published by the Information and Propaganda Department of  
the Ministry of Agriculture)

1. Introduction

In Hungary today, more than one million peasant families live and work in some 3,700 cooperatives. Nearly 80 per cent of Hungary's arable land belongs to the cooperatives. These statistics prove, better than anything, the important role played by the cooperatives in agricultural production and also explain why the Eighth Congress of the Hungarian Socialist Workers' Party singled out the stepping up of production in agriculture as the country's most important task.

We must not forget, however, that, in spite of large-scale mechanization in recent years, the adoption of more productive varieties, the use of fertilizers and the expansion of irrigation, the success of cooperative production and its efficiency still depend on the spirit and devotion of the members of the cooperatives and on their willingness to encourage members of their families to participate in the cultivation of the common land.

This pamphlet, published by the Information and Propaganda Department of the Ministry of Agriculture, contains the ministry's standpoint and opinion on the income distribution and bonus payment systems and their application. We will describe the most successful methods used, based on a joint official inquiry held by the Ministry of Agriculture, and the newspaper "Nepszabadsag" of 10 January 1963. The results of this inquiry, as well as the example of hundreds and even thousands of successful cooperatives prove that good management, plus the proper application of methods which give the cooperative members a direct material interest in their work are essential to stepping up production.

The different systems of material incentive applied during the last three years on a country-wide basis have had happy results in an increasingly high number of cooperatives. To date, the application of the so-called "Nadudvar" method in some form or other has proven to be the most successful to be used in the cooperatives. This method consists of various ways of paying out bonuses from the total yield. Apart from paying

bonuses from the total yield, there are, naturally, several other well-proved systems of income distribution and bonus payment: cash bonuses, efficiency work units, target premiums, credits, and bonuses paid out for overfulfilling the plan.

It is evident that the system of bonuses based on total production is also gaining ground in animal breeding and in cooperatives using the system of cash payment. Thus, several systems have developed through a combination of different methods, which focus the attention of the cooperative members and their families on the results of their work, the end product and the increase of yields.

Today, two important problems have to be solved to create direct material interest in production among the members: First of all, it is necessary to enlighten and persuade those persons -- for such people do exist -- who do not understand the significance of the methods of material incentive. We should see to it that these elements -- whether they belong to the cooperative leadership or are employed by a managerial agency -- at last bury the hatchet with which they have fought for so many years against the correct and incentive-producing methods of income distribution, thereby causing considerable damage to the farmers' cooperatives, as well as to the people's economy. It is high time for everyone to understand that these incentive methods, further developing the system of work units and eliminating its shortcomings, are indispensable for the more rapid construction of socialism.

It is also important that the cooperatives should apply these systems circumspectly. Many an example proves that the best system of income distribution and bonus payment can be applied in the wrong way if the leaders and the general meeting do not also take into consideration the local conditions of the cooperative, soil conditions, the degree of mechanization, and, last but not least, the degree of the members' awareness of them. At the introduction of these methods, great care should be taken to avoid tension deriving from disproportionate, excessive income distribution among the members of the cooperative working in the different branches of agriculture; this might lead to disputes, quarrels and dissatisfaction. The correct way is to give bonuses to all members working in the different branches of agriculture for better and more efficient work, not forgetting the drivers of horse-drawn vehicles, tractor drivers and people employed in the workshops and the leaders of the cooperatives.

Naturally, the methods described in this pamphlet are not the only ones that can be applied. Our cooperatives have tried out many different systems. The most important point is that the applied methods of income distribution and bonus payment should assert the theory of socialist distribution, further the constant increase of the common property and increase the members' interest in their work. These methods should be simple and easy to understand, as this increases their incentive effect. The cooperative general meeting should decide which method of material incentive should be applied. The meeting and the members should consider their decision, should not change it during the course of the year, and should not fail to pay out the bonus if the member has carried out the conditions specified.

We hope that this pamphlet will contribute to the propagation of the best methods of income distribution and bonus payment in the cooperatives, with the result that good and average cooperatives will produce more and that those below the average will be able to step ahead on the road of agricultural prosperity and better living conditions for their members.

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2. Suggestions of the Ministry of Agriculture for  
the Further Development of Wage and Income  
Distribution Methods in the  
Cooperatives

Experience gained in the past clearly shows that the widespread application of the different methods of material incentive in income distribution and bonus payment greatly contributed to the stabilization of the cooperatives. It also lessened the damaging effect of drought years.

During the progress of the last few years in the cooperatives, the most successfully applicable methods of material incentive were gradually worked out, which -- taking into consideration local conditions -- are characteristic of the different branches of agricultural work, and in some places of the entire cooperative.

In the course of this progress, preconditions for the



development of the best methods of income and cash remuneration and their propagation are being created.

In plant cultivation, especially in the cultivation of row crops, the system of work unit credits, together with a bonus payment amounting to a specified percentage of the total crops harvested, is the most widely used. Apart from this, the system of target premiums has been applied with great success and is also gaining ground, while the same holds true for direct sharecropping in the cultivation of fibrous fodder, pastures and roughage crops. The most effective method of material incentive used for the cultivation of vegetables, orchards and vineyards in scattered areas is remuneration from the total yield in cash or work units; in some cases, remuneration in kind.

While maintaining these successfully applied methods of material incentive in plant, vegetable, vine and fruit cultivation, we suggest that these should also be introduced in the work connected with:

#### Plant Protection

On the basis of experience gained in 1962, it is recommended -- in the case of plants needing a large amount of manual work -- that the system of bonus payment be based on the total yield, instead of payment of a share of the yields over and above the plan be used.

In animal breeding work unit credits or remuneration, fixed according to the animal products, along with the share of yields over and above the plan, have proved to be very successful methods of applying material incentive. The application of these two methods to all branches of animal breeding, and in some cases, to the single work processes, has improved progress.

In animal breeding, we recommend -- in all branches where it can be applied -- linking the systems of remuneration based on work performed and target bonuses primarily with fodder input and output (quantity of fodder used to obtain a certain amount of weight increase in the animal - Translator's note) and the configuration of the quality of the product.

With the increase of mechanization, the work of tractor drivers, combine drivers, mechanics and those who are employed in repair shops acquires a greater importance. In this field, in addition to remuneration by work units



depending on the work accomplished, the system of cash payment is also used.

In the case of workers dealing with machinery, we suggest remuneration according to the quantity and quality of the work performed, along with the application of bonuses depending on the yield results of row crops. For those who are employed in workshops, the practice of remunerating them according to their output should be retained -- wherever this is possible. In addition, we believe it to be of great importance that the supplementary remuneration of tractor drivers and workers in repair shops should be a reflection of the good care they take in the maintenance and upkeep of the machines.

#### Remuneration of Leaders

This is still being carried out according to the old work unit book. This system of remuneration is outdated.

In this sphere, we suggest that the basic remuneration of leaders -- especially that of the agronomists and head bookkeepers -- should be fixed according to the amount of the production value of the area they manage; their supplementary remuneration should be determined in the first place according to the farming results, the fulfilling or overfulfilling of the plan.

We suggest that the remuneration of exempted cooperative workers (Party secretaries and employees) should be fixed independently of that of the leaders. Their remuneration should express the work they carry out in the cooperative and the results they achieve in their sphere of work. When fixing the remuneration of the leader of the cooperative, it should be kept in mind that it ought to be larger than that of members permanently working in the cooperative, and, therefore, earning a large salary. This should be carefully considered, especially in smaller cooperatives. At the same time, care should be taken -- especially in larger cooperatives -- that the leaders' remuneration should not overreach the income of the higher paid members to such an extent that this might cause a schism between the members and the leader. The amount and method of remunerating

the leader of the cooperative should be determined by the general meeting.

In the past, the cooperatives obtained much useful experience in the development and application of work norms. We believe it pertinent that the norms, published centrally in different publications, should not be regarded as a pattern to be mechanically followed, but as a guidance, and should be applied and changed according to local conditions.

In former years, the wage proportions of the exempted cooperative workers and those employed in the single branches were not considered properly. We suggest that, according to the experience of 1962, when establishing remunerations and work norms to be applied, the possibilities of earnings within the cooperative should be taken into consideration. In the different forms of wages and distribution of income, the direction of progress tends more and more toward stable participation in income. Therefore, the methodically assured credit, the guarantee of this credit and the introduction of guaranteed wages within the possibilities of each cooperative will have an increased importance.

#### Cash Payment

In cooperatives using the method of cash payment, we also consider it to be adequate and necessary to apply the different forms of bonus payment, either in cash or in kind.

When the area of a cooperative increases, independent bookkeeping acquires a considerable degree of importance. In cooperatives where independent bookkeeping of the brigades and production units has been established, we suggest an additional remuneration, the payment of a bonus to those who work within these production units. This bonus should depend on the overfulfillment of the planned production value and farming results, taking into consideration the entire cooperative. From this share of yields over and above the plan, brigades and workers of the production units should receive their due part, according to the proportion of work accomplished.

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The material interest of the members and leaders of the cooperative should be established, in every case, in a way which would increase production, and, at the same time, would assert the principle of distribution according to work accomplished. In this respect, the cooperatives have to decide themselves -- objectively considering their particular conditions -- which methods of work remuneration will bring them the best results.

The right of selecting the system of payment and distribution belongs to the members of the cooperative (general meeting). It is necessary that Party and administrative organizations of the district should give extensive help to the members in this activity.

The members and leaders of the cooperatives should not hesitate to apply that method of material incentive -- taking into consideration local conditions -- which strengthens their cooperative and increases the members' income.

(Signed) Ministry of Agriculture

Budapest, 10 January 1963.

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### 3. Payment of Bonuses on the Basis of Total Yield

This was the most easily accepted method of income distribution among the cooperatives. The essence of this method is that, in addition to work units credited for the cultivation of row crops and the harvesting of fibrous fodder, those members engaged in cultivation and harvesting of the above should receive a fixed percentage of the entire yield. The effectiveness of this method is not influenced by faulty planning or weather conditions. This is the reason why the members of the cooperatives prefer this system to the method of bonuses paid for overfulfilling the plan. Today, the majority of the cooperatives apply the method of bonus payment based on total yield. This method is simple, understandable to all members, and stimulates striving for higher yields.

At the present stage of development in the cooperatives, bonus payment based on total yield is the most adequate system. It takes into consideration the peculiarities of agricultural production. It is closest to the mentality of the cooperative members and to the material and financial possibilities of the kolkhozes.

\* \* \*

Istvan Szabo, President of the Voros Csillag Cooperative in Nadudvar:

#### THE EXPERIENCE OF A DECADE: BONUS PAYMENT BASED ON TOTAL YIELD IS A SUCCESS

For ten years we have applied in our cooperative the system of bonus payment based on total yield. The essence of this system is that, in addition to work unit credits for the cultivation of certain crops and fibrous fodder, those cooperative members who participate in the cultivation and harvesting of the above receive a fixed percentage, or its forint value, based on the total yield. In my opinion, this method takes the greatest consideration of the characteristics of agricultural production and this form of bonus payment is the closest to the mentality of the members. Proof of this is that the application of this method is spreading throughout the



country, the cooperatives have taken to it; as a result, yields have increased, common property has gained by it and the members receive a larger income.

Our cooperative stretches over 16,000 cadastral "hold," 10,000 of which are arable land. We have 905 working families, with 1,303 working members. Eight hundred members work on plant cultivation, while somewhat more than 500 are employed in animal breeding and other branches of production. Last year, we used a total of 482,000 work units. From this amount, 220,000 work units were received by 800 members employed in crop cultivation; the remaining 262,000 work units were received by the 500 members employed in animal breeding and other side-branches of production. For seven years now, we have paid 42 forint per work unit. The figures show, therefore, that those employed in crop cultivation receive proportionally fewer work units. It is essential, therefore, that we should increase their material interest in their work to the highest possible degree, as the income of the whole cooperative mostly depends on their work; it is up to them if we are to succeed or fail to cultivate sufficient corn, sugar beets, etc.. A way has to be found, therefore, in all cooperatives for those who are employed from spring to fall only to receive a satisfactory remuneration, to be encouraged in their work and to encourage the members of their families to participate in the cultivation of the common land.

#### Twenty Per Cent of the Corn Yield is Due to the Member

We have applied the method of bonuses based on the total yield for the past decade. But, before forming an opinion on this system, let us see how it is applied by us. We grow corn on 1,400 cadastral "hold;" each spring, we distribute the area among the families for cultivation. The cooperative member undertakes to carry out the entire cultivation, from hoeing to harvesting; for this he receives 16.6 work unit credits, and, in addition, 20 per cent of the total crop in kind. In 1962, we harvested somewhat more than 20 quintals of shelled "May" corn per cadastral "hold." Some of our members harvested 40 quintals of ear corn per cadastral "hold," they received, therefore, eight quintals of ear corn in addition to their work units.

When other cooperatives apply our method, I suggest they should also note that, in our cooperative, those members who cultivate corn do not receive corn for their work units; but those cooperative members who are not engaged in corn

cultivation, animal breeders, drivers of horse-drawn vehicles and tractor drivers, also receive one kilogram of shelled "May" corn per work unit. Thus, last year 28.9 per cent of the total corn yield was distributed among the members; 71.1 per cent remained in the cooperative. I feel I must explain this in greater detail as I know that in several cooperatives where our method was introduced on the basis of hearsay only, members engaged in corn cultivation have received, in addition to the 20 per cent in kind of the total yield, more corn for their work units and, as a result, these cooperatives have had difficulties in their fodder supply. On the other hand, if bonus payment based on total yield is applied correctly, the members benefit, as does the cooperative. Our results prove this theory. In our cooperative, the average corn yield for the last 10 years -- reckoned in shelled "May" corn -- reaches 20 quintals per "hold!"

#### Bonus Payment for the Cultivation of Other Plants

For the manual work in the cultivation of sugar beets (hoeing, harvesting, etc.), not counting the work units for mechanical work and transportation due to the drivers of horse-drawn vehicles, we distribute the work units per cadastral "hold" according to the norms. The member who has engaged to cultivate one cadastral "hold" of sugar beets receives 52 work units; in addition, he receives 10 per cent of the total yield in cash. Our 10 year average of sugar beet production is 212 quintals per "hold."

For harvesting fibrous fodder (clover, lucerne, etc.), we apply the method of percentages. For mowing and gathering, the member receives one-third of the total crop, without work units. This method has proved to be satisfactory. But it is advisable that each cooperative should apply this method according to its own natural endowments.

Now we are able to irrigate all pulse cultivation areas in our cooperative, (peas, beans), which has increased the yield to such an extent that this year we are handing over the cultivation of these areas to the members for one-quarter of the total yield.

Last year, we found that potatoes can be cultivated in our soil, too. In the past, only a few members of the cooperative cultivated this crop. Last year, we did so on a trial basis and harvested no fewer than 115 quintals of potatoes

per cadastral "hold." This year we are cultivating potatoes on 200 cadastral "hold." In the cultivation of potatoes, as in the cultivation of sugar beets, we will give 10 per cent of the total yield to the members engaged in their cultivation. Some people might say that 10 per cent is too high, as the cultivation of potatoes can be mechanized; sowing, hoeing and harvesting of the crop can be done by machines. Unfortunately, we have almost no machines for harvesting potatoes, and those we have are not of the best. And in potato cultivation, picking is the most tiresome task. If the cooperative members have no material interest in picking up every single potato, many remain in the ground. For this reason, we are also distributing the cultivation of potatoes among the families and the bonus, based on the total yield, is paid out to the member who cultivated and harvested the entire crop.

#### The Great Importance of Enthusiasm in Work

This is the essence of our bonus payment method, and it might be useful to many others if I say a few words on its effect. There have been years when our work units were worth far less than 42 forint. We were in a specially difficult position in 1952. The members worked indolently, work units did not attract them, as these were not worth even 10 forint per unit. We had a wide area planted to corn and hoeing did not progress at all. We had to act; we called together the members and resolved that we would distribute the cultivation of corn among families and 20 per cent of the total yield would be given to those who cultivated it. At that time, the members of our cooperative accepted this with reservations, as they did not believe that we would fulfill our promises. We harvested only 15 quintals of ear corn per cadastral "hold." But we distributed the 20 per cent. Next year, many cooperative members applied to participate in corn cultivation. Our method proved to be a good one; it was simple and gave the cooperative members great work incentive: it influenced them to leave a sufficient number of corn plants in the rows, to hoe in time and carefully; they knew that every fifth ear of corn belonged to them. From one year to the next, our corn yield nearly doubled.

The same applied to the cultivation of sugar beets. We grow sugar beets on 600 cadastral "hold" and the harvesting of this crop is very arduous. Yet, since we introduced the system of bonus payment based on the total yield, the harvesting of sugar beets is finished by the end of November each year.



It was the same even in 1960, when fall arrived early and heavy rains soaked the fields; defying the bad weather, the members of our cooperative were busy on the sugar beet fields; the haulers were unable to use the roads, so the members carried the beets in baskets on their shoulders to the trucks. And by November 17, the harvesting of the sugar beet crop was finished. The members also have a material interest in the size of the percentage deducted by the state buyers from the value of the sugar beets. Once, during a very wet fall, four buyers fled from our village. What had happened was that all those cooperative members who cultivated sugar beets accompanied the hauler carrying their own product, so as to be present when the crop was measured and handed over. They watched to prevent any kind of illegal deduction.

Another great advantage of bonus payment based on total yield is that, in this way, we can also supply the private plots with sufficient fodder. The Voros Csillag Cooperative produces 130 kilograms of meat per cadastral "hold," and the private plots also hold their own in this respect. Last year, 905 families were under contract to fatten more than 1,000 pigs, which they delivered to the livestock trading enterprise.

#### Bonuses Paid to Animal Breeders

In our cooperative, we not only pay bonuses for the cultivation of plants, but also to animal breeders. Animal breeders can earn quite a number of work units in the cooperatives. Therefore, it is right to pay them bonuses which will give them a material interest in the reduction of costs. In pig breeding, we raised the material interest of the cooperative members by distributing the work units according to the care the members took in tending their animals and the feed efficiency. In our cooperative, a pig fatterer looks after 200 pigs. For this, he receives 45 work unit credits and he has to obtain 20 kilograms of meat for every quintal of fodder he uses. If he reaches a higher percentage of meat from one quintal of fodder, his 45 work units increase by the same percentage; on the other hand, if his feed efficiency is below the 20 per cent, his work units decrease accordingly. Last year, we fattened 3,800 pigs, this year we plan to fatten 4,500. We calculated that the cooperative will suffer a loss of 780,000 forint if the grain input will not reach the planned 20 per cent meat output. By giving the pig fatteners a material interest in production, we succeeded in overreaching the 20 per cent output every month.



We have 4,000 sheep, 3,000 of them ewes. The shepherds receive 25 per cent of the wool produced over the plan, in cash.

Twenty steers have to be tended to earn 45 work units. This amount of work units increases or decreases in proportion to the weight gained or not gained by the animals.

Last year, 670 calves were born. We fed them with 350 liters of full milk, 450 liters of skimmed milk, and as much fodder, lucerne, as they could eat. We pay the bonus according to the weight attained by the animals when weaned.

Up to now, we have not paid any bonuses to cooperative members engaged in dairy farming, as our dairy men receive an adequate income. Each dairyman tends 12 to 14 cows, and, if calving reaches 85 per cent and the dairyman gets 3,000 liters of milk per cow, he earns 650 to 700 work units per year. This amounts to about 28,000 forint per year. We still feel that, in future, we should increase the dairymen's material interest in milk production. Therefore, we have divided our dairy into three sections: an élite corps where one work unit is credited as a bonus for 100 liters of milk, the second section where one work units is credited as a bonus for obtaining 80 liters of milk, and a third where 70 liters of milk have to be produced to receive the bonus of one work unit. For tending the animals, we give 30 work units.

#### Fixed Work Units for Artisans

It is probably the concern of many a cooperative leader to increase the material interest of blacksmiths, wheelwrights and mechanics. We, too, noticed that, before the blacksmiths worked according to the norms prescribed in the work unit book, it was to their advantage to shoe the highest number of horses, to carry out the greatest amount of repair on wagons, etc.. We decided to give them fixed work unit credits. The blacksmiths, for example, receive 600 work units per head yearly and we determined what they have to do to earn this. Now it is in their own interest to carry out their work well, because then they have fewer horses to shoe and less repair work to do. In this way, less coal and timber is also used.

In conclusion, I would like to repeat: the greatest advantage of the system of bonus payment based on total production is that it is simple, easily understandable to each member

and it has the incentive power to induce members to reach higher yields. Therefore, we decided that, on the basis of experiences gained in the past 10 years, we will again apply the system of bonus payment based on total yield in our cooperative.

\* \* \*

Gyula Forgacs, President of the Szabadsag Cooperative in Kesznyet:

OUR AVERAGE CORN YIELD HAS DOUBLED

Four years ago, I became the president of the Szabadsag Cooperative in Kesznyet. In our cooperative, it was always a great problem to find a method of remuneration by which we could increase the members' direct material interest in their work. Two years ago, we heard of the Nadudvar method, and both members and leaders liked it.

It is in corn production that we can best prove the great efficacy of the bonus payment method based on total yield. Up to the time that we introduced this method, the hoeing and harvesting of our 600 cadastral "hold" of corn were always great problems. The crop yields in particular made us despair. In 1960, we only harvested an average of nine quintals per cadastral "hold," and in 1961 our yield was 13 quintals per "hold." In 1962, we agreed with the members of the cooperative that those engaged in corn cultivation would receive, in addition to the work units, 15 per cent of the total crop as a bonus. And, within one year, the corn yield doubled in my cooperative: we harvested 26 quintals and 71 kilograms per cadastral "hold."

We Paid a Bonus Based on the Total Yield

We decided to use this method not only in corn production, but also in the cultivation of row crops. We announced that members cultivating sugar beets would receive, in addition to their work units, 30 decagrams of sugar as a bonus for every quintal of sugar beets produced. Tobacco growers would receive five per cent of the planned crop and 50 per cent of the yields over and above the plan as a bonus. For growing sunflowers, we pay a bonus of 10 per cent of the total crop, while crediting the usual work units. I feel that we pay an

adequate bonus for the harvesting of fodder plants. We have 674 cadaster "hold" of pasture. Before introducing the bonus payment system, we harvested only 17 freight car loads of hay from this large area. When we decided that the members engaged in this work would receive one-third of the total yield, the cooperative gained 47 additional freight-car loads of hay. And last year, the cooperative had 75 freight-car loads of fibrous fodder.

We introduced the system of bonus payment based on total yields in animal breeding and dairy farming, too. We declared that the dairy men would receive two per cent of the value of milk produced. In cattle fattening, the workers engaged in this task receive a bonus of 15 forint for each prime steer, 10 forint for a Class I steer. In pig breeding, members of the cooperative engaged in this work receive three per cent of the weaned piglets; in poultry farming, the chicken farmers receive a premium of 35 per cent of that part of the weight which exceeded 85 per cent of the weight set by the plan. The general meeting also approved the bonus system plan for 1963.

#### Plan for 1963

Corn: 15 per cent of the total yield and full work units. There is no work unit for stalk cutting, but 50 per cent of the stalks cut belong to the cooperative member. Bonuses can only be paid out after stalk cutting.

Sugar beets: one kilogram of sugar for each quintal and 50 work units per cadastral "hold" cultivated.

Potatoes: five per cent of the total yield, plus work units.

Tobacco: eight per cent of the total yield of the planned crop and 10 per cent of the yield over and above the plan. The bonus is to be distributed in proportion to work units gained for cultivation.

Sunflowers: ten per cent of the total yield, plus work units.

Poppy seed: ten per cent, in cash, of the total



yield and 50 per cent in kind of the yield over and above the plan for those cooperative members who are engaged in the cultivation and harvesting of this crop.

Peas: forty per cent of the crop over and above the plan to those engaged in the cultivation, and 10 per cent to the transport workers, in proportion to work units earned in pea cultivation.

Threshing: the threshing group receives work units for fulfilling the fixed norm and four and a half per cent in kind of the amount overreaching the norm, without work unit credits.

Gardening: those who work in this sector receive eight per cent of the planned value and 10 per cent of the value over and above the plan. This premium has to be distributed in proportion to work units earned in gardening.

Sows: three per cent of the weaned piglets are to be distributed as a bonus, in proportion to work units, among workers engaged in this task.

Fattened pigs: one per cent of the weight gained, belongs to the pig fattener. An average of 440 kilograms of fodder is to be used for one pig. The animal has to be handed over weighing a minimum of 106 kilograms. For every 10 per cent of fodder used over the plan, the pig fattener is to have one per cent of his work units deducted.

Dairy: two per cent of the value of the milk and the milk fed to her calf belong to the dairyman.

Bonuses Paid to Leaders:

	Brigade agronomists	Cooperative chair- man, vice-chairman, agronomist
Per cent of yield over and above the plan		
corn	2	3
sugar beets	3	3
tobacco	3	3
sunflower	3	3
poppy seed	3	3
cereals	1	1
peas	2	2
hay	1	1
potatoes	1	1
gardening	3	3
animal breeding (except poultry farming and sheep raising)	-	3

This form of bonus payment to the leaders is a good one, as it gives them a material interest in exceeding the planned yield. The brigade leaders receive, in addition, an average of the bonus given to each brigade member. The chairman of the cooperative, the vice-chairman and the agronomist together receive a bonus based on the average total yield of plant production. Office workers' bonuses are based on that of the chairman. A head bookkeeper receives 70 per cent of the chairman's bonus, his deputy 60 per cent and the other bookkeepers 50 per cent each, the cashier 40 per cent and the payroll clerk 30 per cent.

To Safeguard Common Property

If someone misappropriates common property, he loses his right to his work units. If the brigade leader fails to

hand in a written report on the theft to the cooperative chairman, he loses half of his bonus; if the chairman or the vice-chairman does not take the necessary steps regarding theft or negligent work, 50 per cent of their bonus is deducted. The bonus can be withdrawn or decreased by the management through other disciplinary procedures, while the same body decides about the withdrawal of a chairman's bonus.

per cent of his bonus and above the plan \* \* \*

Lajos Puskas, President of Uj Barazda Cooperative in Csep:

REMUNERATION: WE WERE AGAINST IT, BUT NOW WE ARE FOR IT

Three years ago, I was among those who took part in the inquiry held by "Nepszabadsag" where the different methods of remuneration were discussed; I have to be frank: I was against these methods at that time.

Our village has 643 inhabitants: former farm hands on large estates who became farmers through land distribution or when the cooperatives were organized. Our members were at first averse to the remuneration system. They found it to be unjust and muttered about "thrusting the hoe into the back" of those who spoke about it. Today, however, their opinion has changed and so has mine. Now it can be accurately demonstrated what advantages the introduction of the remuneration system has brought about. The system is profitable to the whole cooperative and the members have a direct material interest in the crop. In our cooperative, we apply the "Nadudvar" method, a variety of remuneration based on total production.

This form of bonus payment to the leaders is a good one, as it gives them a material incentive. The brigade leader receives 20 per cent of the total yield, the chairman 10 per cent and the vice-chairman 5 per cent.

#### Success in Plant Cultivation

In corn cultivation, the cooperative member receives as a bonus 20 per cent of the total yield. We decided to give one-fifth of the crop to the members and instead to decrease by 50 per cent the amount of work units paid out for cultivation.

From the potato crop, the member receives one-sixth of the total crop as a bonus. This was also necessary because we have no potato-picking machine and the harvesting of potatoes is carried out by hand. We had a member who harvested 120 quintals from one cadastral "hold" -- the Polish variety paid

If someone misappropriates common property, he loses his right to his work units. If the brigade leader fails to



more, the "Mercur" variety less. Each member received one cadastral "hold" of potatoes for cultivation, half of this the Polish variety, the other half the "Mercur," thus the above-mentioned member of our cooperative received a bonus of 20 quintals of potatoes. We were glad to pay out this bonus to him.

For a quintal of sugar beets, we pay one kilogram of sugar as a bonus. In a crop yield exceeding 150 quintals per cadastral "hold," the bonus was one and a half kilograms of sugar per quintal.

Poppy seed cultivators received 15 work units and 15 per cent of the total production. In 1962, the poppy seed yield was 4.87 quintals per cadastral "hold," mainly as a result of the introduction of the remunerative system. The members carried out their work on the poppy fields with great care. They took pains to maintain the proper distance between the rows of plants. Many members insisted on personally leading the horses when plow-hoeing, to prevent damage to the plants.

It is worth while to consider our experiences gained in tobacco cultivation. Our members engaged in this work receive 50 per cent of the value of the tobacco harvested. They have never before achieved such good results in tobacco as they do now. They work with the greatest care, consideration and devotion. It is not a matter of indifference to them what quality the tobacco will attain and how much money the cooperative will receive for this crop from the state purchaser.

#### We Have no Need for "Builders"

In 1962, the different methods of remuneration made plant cultivation very successful. Many difficulties which we had fought against for years were solved practically overnight. Work discipline increased and the quality of work was raised. We had a basis for comparison, since the members of our cooperative had worked for three years (in 1959-1960 and 1961) in a brigade system, in work groups -- without remuneration. How well I remember what difficulties we had to finish in time with hoeing and harvesting. And to assure the quality of the work was a veritable "battle." How was hoeing done two years ago in the fields of the Csep Cooperative? The brigade lined up for hoeing, with Laszlo Nemeth in the middle as the "champion worker." It was known of him that he carried out his work with precision, conscientiously, not too fast, but with the adequate

speed. Twenty hoers at his right and another twenty at his left. No one was allowed to overtake the champion worker. This regulation aimed at avoiding slipshod work. It also proved to be necessary to put two foremen on each side of the champion worker to keep check on the quality of the work performed. These two foremen, Sandor Ferenczi and Imre Horvath, did some hoeing, too, but were allowed to go from time to time to the end of the rows to check the quality of the work being done. We had to fix the exact time the work had to be finished and to regulate the lunch time. All this took much energy. But since our members have been receiving a bonus based on the total production, there have been enough working hands and no trouble with the quality of work. The crop is larger, the people's economy profits, the material welfare of the cooperative and its members is increasing.

### Let Us Watch the Proportions

In 1962 we planned 1,218,000 forint as the share to be paid out to the members, but because this plan was overfulfilled, we probably will distribute 1,650,000 forint. In one year, we gained much experience, also with regard to remuneration. We have a clearer picture now, for example, of how to work out more carefully than before the materially incentive methods in remunerating animal breeders and drivers of horse-drawn vehicles. They were right to be dissatisfied. This year, more animal breeders want to work in plant cultivation, as the bonus paid out for this work attracts them. If only to ease the tension, we should increase the bonuses paid out to animal breeders in our cooperative. In my opinion, the remunerative system for drivers of horse-drawn vehicles should be changed in our cooperative. Last year, they received one per cent of the total harvest of row crops in proportion to their diligence. This did not prove to be enough of a material incentive. I am also of the opinion that -- as was voiced in the "Nepszabadsag" inquiry -- drivers of horse-drawn vehicles should receive the bonus average of plant-cultivators. The amount could depend on the number of work units the drivers earn.

We, who in former times protested against remuneration, now find it natural and necessary. But remuneration should be introduced in the individual branches of production in a way which would avoid great disproportions in the members' income, it should be just, and, therefore, a real material incentive.

#### 4. The System of Efficiency Work Units

Distribution of income according to the system of efficiency work units is one of the forms of income distribution. Where this system is applied, the work units are not credited on the basis of work carried out, but according to the quantity or value of the crop. In many cooperatives, for example, 0.7 work units are credited for one quintal of ear corn. And, therefore, it is natural that the larger the quantity of corn grown on the fields he cultivates, the higher the amount of work units the cooperative member receives. The same principle is applied in animal breeding where, for example, the dairyman does not receive his work units for tending the animals, but according to the number of liters of milk produced.

In gardening, in general, it is not the quintals which determine the value produced, but the quality of the product and the primeurs (first-of-season vegetables which can be sold for a higher price.Trsl.) Therefore, in gardening, work units are credited mainly on the basis of the cash sum the products bring in. It is fixed, for example, that for the production of vegetables valued at 100 forint, one work unit will be paid. Therefore, each member receives as many work units as the amount of 100 forint worth of vegetables he has produced for the cooperative.

Naturally, it is more complicated to choose the right proportion in some territories, but practice will show that, with some circumspection, the method of remuneration according to the effective results achieved can be applied in every branch of farming.

\* \* \*

Janos Loczy, President of the Haladas Cooperative in Totkomlos

#### THE APPLICATION OF THE SYSTEM OF EFFICIENCY WORK UNITS PROVED ITSELF

Our cooperative started to apply the system of efficiency work units in 1957. Since then, it has been adopted by other cooperatives, too. Before we had worked out the present form of the system, in 1960, we had gradually shaped it and yearly made small modifications and now use it with great success. Below, I will give details of our experiences gained through the years.



### No Fixed Patterns

In our opinion, even those cooperatives which use similar methods, should not blindly copy each other, in a fixed pattern. One of the cooperatives in our neighborhood, for example, resolved a few years ago to copy us and to apply the system of efficiency work units in distributing their income. But they made a mistake. They used our norms, although soil conditions, the organization of the cooperative, and their technical and material supply differed from ours. Therefore, this method did not work as a true material incentive in that cooperative.

When this method is put into practice, great care should be taken to ascertain whether the member who receives land of poorer quality to cultivate is not getting a worse deal if he is remunerated according to the system of efficiency work units. In this case, the member in question is unable, with the best of will, to produce as much as another who received a better piece of land for cultivation, and eventually receives 10 or 15 fewer work units for the same amount of work carried out. In my experience, the majority of the cooperatives take this problem into consideration. They fix the expected yield according to the fields and plots, and the planned work units for the cultivation and crop are distributed accordingly. Thus, some cooperative member will receive 0.8 work units for one quintal of corn and another from 1 to 1.5 work units for the same amount of corn -- according to soil conditions. We determine the soil conditions of every plot and the leaders -- using the authority bestowed on them by the general meeting -- raise somewhat, but only to a maximum of 25 per cent, the work units of those members who cultivate plots of inferior soil. As there is no great difference in our cooperative in the conditions of the soil, this method seems to be adequate, but in cooperatives where soil conditions vary to a large extent, the former system is more advisable.

### Members Accept Every Kind of Work

Once in our cooperative, the members debated the fact that one brigade received more for cultivating plants with a higher yield and value than did other brigades. In recent years, however, we have solved this problem. When breaking up the plan and allotting the work to the different brigades, we take into consideration different soil conditions by giving each one the type of crops to cultivate which reach the highest yield on their particular fields or plots.

We try to adjust the income of the cooperative members by giving them a free choice of row crops to cultivate. We discuss this with the members at the beginning of the year at the cooperative's office, and, at the same time, settle the question of how many work units they want to earn with work other than the cultivation of the land they have engaged to fulfill. In this way, there is enough manpower in our cooperative to farm the 4,700 cadastral "hold," as well as for transportation and yard work. For transportation, we assign permanent loaders to the machines which are under a central direction; the brigade leaders have to find their own manpower for their transport vehicles and machines.

### Income of the Members

Some cooperatives, using different methods of income distribution, criticize us for using up too many work units per cadastral "hold." Undoubtedly, at the end of the year, we tally 70 to 75 work unit credits per cadastral "hold." If this would be not so, we would not achieve adequate results. As we credit the work units according to the results, it is natural that, when the plan is exceeded, there are more work units used. We can also accurately judge the rate of cultivation by the income received by the individual members. And this increases from year to year. In 1962, for example, the average income of a member of our cooperative was 16,000 forint, compared to the 13,460 forint of the previous year. We overfulfilled our plan for selling our produce by 127 per cent and the income from the farming of one cadastral "hold" will be more than 3,670 forint.

All this is due, in the first place, to the fact that we tried to increase the direct material interest of the members in raising production. In animal breeding, for example, it is not only the work units of the animal tenders which depend on the yield, but also the work units of those who supply and transport the fodder. There are seven men who milk the cows in our dairy and they each receive 2.2 work units for every 100 liters of milk. If they feed each cow one kilogram of fodder over the fixed amount, they will receive only two work units for every 100 liters of milk; for two additional kilograms of fodder used, the work unit will be 1.85. The milk yield, naturally, also depends on the efficient work carried out by those who supply and transport the fodder, and, therefore, the three men engaged in this work at our dairy can count on 40 per cent of the work units received by the dairymen. It is their common aim, therefore, to increase milk production.

In pig fattening, too, we fix the number of work units to be credited according to the given circumstances and the quantity of meat obtained from feeding the animals a fixed amount of fodder. One hundred kilograms of fodder have to yield 25 kilograms of meat if the meat yield is higher than the planned 25 per cent, the work units increase; on the other hand, these become less if more fodder is used than the fixed amount.

#### Payment of Leaders

Not only does the income of the members depend on the yield, but so does that of the leaders of the cooperative as well. For me, for example, the general meeting voted a basic 1,050 work units per year. These are proportionally divided among the planned amounts of income stipulated for the different branches of crop cultivation and animal breeding, and increase or decrease according to the proportions of the plan fulfillment. For example, we harvested less wheat than planned, and, therefore, I received only 96 per cent of the work units credited for wheat. Animal breeding, on the other hand, overfulfilled the plan and thus, when the accounts were settled for 1962, I received 1,154 work units. The other leading members of our cooperative receive 70 to 90 per cent of my work units.

\* \* \*

Laszlo Vaszil, leader of the Uj Vilag Cooperative in Szentlorinkata  
and the Kossuth Cooperative in Koka

#### HOW WE INCREASED THE EFFECTIVENESS OF EFFICIENCY REMUNERATION

How were we able to eliminate, in a comparatively short time our initial difficulties? This was our worry in the fall of 1959 when I became the leader of the cooperative. At the time, the territory of the cooperative increased from 850 to 3,700 cadastral "hold", and, instead of the former 68, there were 432 families, or 768 cooperative members who expected an assured income and better living conditions from the cooperative.

Now, after three years, I can say without boasting that our cooperative belongs among the good ones in our county. We laid the basis for large-scale farming and our members have gotten used to cooperative life. Since 1960, we have paid 40 forint per work unit each year. Although we, too, have many pensioners



in our cooperative and only 550 cooperative farmers and members of their families work regularly, we have no lack of man power. When necessary, every adult member of each family takes a hand in communal work. We carefully tend our 2,290 cadastral "hold" of arable land, our 50 "hold" of orchards and our 61 "hold" of vineyards, our vegetable cultivation on 358 "hold" always brings in a good income and so does our animal breeding which is progressing well. In 1962 alone, 32 people returned to our cooperative from industrial work when they saw our good results.

Up to now, remuneration according to work efficiency has been one of the instruments -- a very important one -- of our successful farming. We leaders have had to create several conditions which would insure the system of income distribution and the system of efficiency work units having good results and a favorable effect.

#### Breakdown of Plan per Cooperative Family

First of all, we draw up the production and financial plans, taking into consideration our possibilities. We take particular pains to fix objectively the amount of work needed to cultivate certain crops and the average yields to be expected, as these form the basis of work remuneration according to efficiency. We, too, had difficulties at the beginning in finding a wholly satisfactory measure and form of planning, but now even the members of our cooperative are satisfied with this method. Thus we found the most suitable method of planning and organizing work to be applied to our system of income distribution.

We start to map out our plans in September. We ask each member the area and kind of crop he wants to undertake to cultivate. This is added up per brigade and this forms the brigade plan, from which, finally, the common plan will emerge. Compared to our area, we have many members in our cooperative, and, therefore, the demand for the cultivation of crops needing a large amount of manual work exceeds the amount set up in the plan by the leaders. In spring, therefore, the area to be distributed might prove to be insufficient, but, on the basis of preliminary planning, however, we are able to represent at the plan meeting the requirements of the families.

#### System of Credit Payment

Over the course of years, the accounting of work done on areas cultivated individually by the members has been simplified. I know of some cooperatives where the system of efficiency work units is applied and where they are still using complicated methods in respect to row crops in working out the credits due to the members: the brigade accountant daily records the quantity

of work performed by the members, and, at the end of the month, 80 per cent of the work unit credits are paid out in cash. We have found this method to be over-complicated. Instead, we do the following: we study how many work units are due to the cooperative member for fulfilling the plan, i.e., for the expected average yield. This we divide into six parts and from March to September pay out work unit credits monthly on this basis.

But what happens if someone does not carry out his work? The brigade leader systematically checks the area handed over for individual farming and when he sees that some member has neglected to carry out the full amount of work, his name is marked on the credit list and no credit is paid out to him that month. However, such cases do not occur. This is also due to the fact that we pay out 20 forint per work unit as credit, and, from June on, 24 forint. The four forint is paid out in kind, usually in wheat. Without this credit payment, the method of the efficiency work unit would not have such good results.

#### Accurate Bookkeeping and Recording

In the application of this method, therefore, the systematic monthly work unit credit plays a large role. In addition, accurate bookkeeping and recording is essential, as is good leadership and expert direction. We also take great care that the work undertaken by the cooperative on the areas cultivated individually should be carried out in time and with care, and that we observe the obligations made in the agreement.

For, not only do the members of the cooperative have obligations, but so also do the leaders and the whole cooperative itself have obligations toward the members. Therefore, when distributing the area, we took great care to be just and fair toward the members; they drew lots from a hat, and we modified the plan for areas where soil conditions were not so favorable.

It is not only in crop growing that we take into consideration the prevailing conditions and possibilities. With the change of technical, material and other conditions, we modify the amount of work units to be credited according to the yields. This is an indispensable element in the fair distribution of income, which we cannot afford to overlook. Only when more is produced can the members count on a higher income and more work units. There is work and value in each work unit. As the result of the efficiency work unit system, the protection of property is also increasing. Cooperative farmers take great care of their plots and harvest down to the last grain, as this "last one" might just be the one which is needed for the higher income.



### Bonuses for the Overfulfillment of the Plan

The beneficial effect of this method was further increased when we developed our wage system and combined it with bonuses for overfulfilling the plan. The member who grows more than anticipated in the plan receives 15 per cent of the overproduction in kind, in addition to the work unit for each quintal. In the cultivation of sugar beets, the member receives 10 per cent of the overproduction as a bonus; those members who are engaged in gardening, receive a 100 forint bonus for every 1,000 forint of overproduction. Similar methods of bonus payment are used in the growing of other crops and also in animal breeding.

### The Leaders Also Have a Greater Material Interest

In the remuneration of the leaders, we have also combined the efficiency work unit system with the bonus system. When we fixed the basic work units, we took into consideration farming results. This amounts to 3,500 to 4,000 forint per cadastral "hold" in the plan, and the leader of the cooperative receives 92 work units per month for this. If the farming result is higher than 4,000 forint, then the leader receives 94 work units per month. The monthly wages of the chief agronomist also increase in this case from 89 work units to 91, and those of the head bookkeeper from 76 work units to 78. Cash bonuses are paid out according to how the plan is fulfilled. The percentage exceeding the planned farming results, will be the percentage we receive as a bonus after our yearly remuneration.

The remuneration method we apply today in our cooperative is, in essence, the combination of three systems: partly from the pre-arranged plan of cultivation according to families; nearly the whole system of bonus payment for the overfulfillment of the plan, and the basic and chief form is the efficiency work unit system. This form of income distribution can also, naturally, be modified. Local conditions, the level of the cooperative's development, local customs and possibilities determine which form of remuneration is the best.

I have experienced this not only in our cooperative, but also in the Koka Cooperative where I was also elected as leader. In the latter, for example, payment of a bonus according to the total yield brought in excellent results, and, within one year, this cooperative had moved up out of the ranks of the more mediocre collective farms.



## 5. Cash Remuneration, Guaranteed Advance Payment

In the remuneration of cooperative members, cash payment plays an increasingly important role. Among the different forms of remuneration, the guaranteed cash payment, i.e. income remuneration, is the most highly developed. The essence of cash payment is that the achievement of the members of the cooperative is evaluated in monetary terms, therefore, the system of work units is not used as a key either in measuring the work or in the distribution of income. There are still, however, some forms of remuneration where work units play a role.

Another very important side of cash remuneration is that the payment or part payment due for carrying out the norms is paid out each month to the members. In general, 70 to 80 per cent of the wages for the work performed are paid out monthly to the members, the rest at the end of the year.

In the first stages of using the system of cash payment, grave mistakes were committed in some places: some gave up other methods of material incentive which gave the members a direct interest in their work. It was proved that the paying out of bonuses is not only possible, but necessary in cooperatives which have changed over to cash remuneration, just as it is in those which use another system of income distribution.

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Gyorgy Farkas, President of the Viharsarok Cooperative in Totkomlos:

### IN THE APPLICATION OF THE SYSTEM OF CASH REMUNERATION, METHODS OF MATERIAL INCENTIVE ARE STILL NECESSARY

In our cooperative, we used the work unit system up to 1961. This form of income distribution, however, caused many difficulties. The members endeavored to earn the highest possible number of work units, without considering the quality of their work. This was mainly the reason why our cooperative did not develop sufficiently and why the members' income was not as high as we wished it to be.

In 1961, we switched over to the system of cash remuneration. We fixed the work unit norms at 40 forint. We regularly paid out 75 per cent of the work unit value per month

as a credit to the members, the remaining 25 per cent was paid out to them at the end of the year. In 1961, we also introduced the method of paying out bonuses for overfulfilling the plan. In corn cultivation, the members received 30 per cent in kind of the yield exceeding 30 quintals per cadastral "hold." In sugar beet cultivation, the members received 25 per cent in cash of the yield exceeding 170 quintals per cadastral "hold." Those engaged in the growing of onions and sunflower seeds were given similar bonuses if they overfulfilled the plan. In 1961, no bonuses were paid out in animal breeding and auxiliary workshops.

### Why Do We Pay Bonuses Based on the Total Yield?

The above-described method had certain good effects, but according to experience gained in 1961, we modified the bonus system. We did this because we perceived that bonuses paid out for the overfulfillment of the plan do not provide sufficient incentive to the members. In summer, because of bad weather conditions, it became evident that we would not attain the average yield of certain crops which were rather highly fixed in the plan and the members lost their interest and the system of bonuses paid out for the overfulfillment of the plan did not succeed reviving this interest.

Thus we decided that, in 1962, in addition to cash remuneration, we would pay out to the members a certain percentage of the value of the total yield as a bonus. This worked out in the following manner:

Corn: For the cultivation and harvesting, this work covering the entire year, we paid 400 forint per cadastral "hold" and 10 per cent of the total yield in kind, as a bonus.

Sugar beets: 1,500 forint wages for one "hold" and a five forint bonus for each quintal of sugar beets handed over to the sugar factory.

Sorghum: 1,056 forint remuneration per cadastral "hold," and, as a bonus, 25 per cent of the grain harvest in kind.

Onions: 1,600 forint remuneration for the cultivation of one cadastral "hold" and a bonus of 20 forint for each quintal of onions harvested.

Seed onions: 1,920 forint remuneration for the

cultivation of one "hold" and a bonus of 100 forint per quintal for harvested and selected onions.

The remuneration of members employed in the auxiliary processing workshops was fixed by a system of piece-work, i.e. hourly wages. In this territory, we have not yet found a method of material incentive which might influence the workers to carry out better work and to a greater saving of material.

# Some Data from the Last Three Years

Below are a few data on our agricultural achievements during the last three years.

	Gross production value	Net income
1960	13,508,000 forint	11,186,000 forint
1961	19,401,948 "	13,363,488 "
1962(anticipated)	24,000,000 "	16,000,000 "

The same two index numbers related to one plowing unit (one plowing unit = 1 "hold" of arable land or 0.57 hectares-- Editor's note).

	Gross production value	Net income
1960	3,934 forint	3,257 forint
1961	4,858 "	3,346 "
1962(anticipated)	5,500 "	3,600 "

The income to be distributed and the increase of the clear net profit also showed a favorable trend:



	Income to be distributed	Increase of clear net profit
1960	7,839,000 forint	3,346,000 forint
1961	8,988,977 "	4,626,267 "
1962(anticipated)	9,700,000 "	5,000,000 "

The same two index numbers related to one plowing unit:

	Income to be distributed	Increase of clear net profit
1960	2,083 forint	974 forint
1961	2,251 "	1,095 "
1962(anticipated)	2,500 "	1,200 "

### Distribution in Kind

We also took care that the private plot production should progress rather than fall behind. Therefore, we decided that for each 100 forint wages, the cooperative member would be allowed to purchase from the cooperative, at the official, state-fixed price, 3.4 kilograms of corn and 2.1 kilograms of barley; in 1962, we used the same principle.

Those who work regularly in the cooperative can buy, also at the officially fixed price, three quintals of milling wheat and two additional quintals for the members of their families. We also give 50 square land fathoms of alfalfa, but this area is counted into the private plots. The member can also get the harvest from 100 to 200 square fathoms of fodder beets, this is also to be counted into the private plot. Each member keeping cows can receive 35 to 40 quintals of raw sliced beets.

I have written above about our system of remuneration, but did not mention our vegetable garden, spreading over 110 cadastral "hold." Those members who are engaged in its cultivation receive 40 per cent of the gross income from it.

The system of material incentive is also applied in animal breeding. In our cooperative, each dairyman receives 70 filler for each liter of milk and four forint for each healthy calf. In animal fattening, the members' income depends mainly on the weight increase of the animals. For the tending of a steer, a member receives, for example, 80 filler per day and one forint per kilogram of weight gained. The same principle applies to pig fattening.

#### Pig Fattening on the Private Plots

In connection with this, I have to mention that we have also organized the communal marketing, set down in a contract, of pigs fattened on the private plots. Our cooperative does not yet have sufficient space for animals. In 1962, for example, the cooperative sold 2,008 fattened pigs, but 600 of these were fattened on the members' private plots. The contract was made by the cooperative and we agreed with the members that those who took part in this project would receive from the cooperative, at a price of 200 forint, 1.5 quintals of fodder (corn and barley) for each pig under contract. In addition, the member would receive a premium of 50 filler per kilogram. With this method, our achievement was the aforementioned 600 pigs fattened on the private plots and sold communally. We introduced a similar project for furthering egg production.

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Ferenc Macko, President of the Voros Csillag Cooperative in Nagykanizsa:

#### CASH REMUNERATION CAN PRODUCE A HIGH DEGREE OF INCENTIVE

In 1960, our cooperative was extended over 2,200 cadastral "hold," thus doubling its former size. In 1959, our cooperative was still working at a financial loss, and in 1960 we introduced the system of cash remuneration, for which we received financial help from the state, thus having a guarantee that the cash remunerations could be paid out without a hitch. In that same year, 1960, our financial deficit ceased during the first year of the introduction of the cash remuneration system, and one work unit paid out 32 forint. In 1962, we were already in a position to have a reserve of half a million for cash remunerations to be paid out in 1962.

The introduction of the system of cash remuneration increased the number of workers participating in communal work, increased the quantity of work carried out, and, at the same time, also increased the yield and its value. We fixed the cash payments in our cooperative according to the work norms and wages applied at the local state farm, in such a way that we increased these by 20 per cent.

### Combined Methods

In spite of using the system of cash remuneration -- in order to be able to decrease our wage fund and to retain distribution in kind -- we handed over some of our row crops to the cooperative members to cultivate on a percentage basis. In 1960 and 1961, when the major portion of our area was still unregrouped, we gave 30 per cent of the corn yield to our members as payment in kind for cultivation. In 1962, we introduced synthetic weed-killers on 160 cadastral "hold" of corn. As its harvesting, however, was not organized, we fell very far behind with its gathering and transport. On other corn fields, where weeds had to be removed by hoeing, we gave 600 forint for the cultivation of one cadastral "hold" to the member and, as a bonus, half of 30 quintals of ear corn yield over and above the plan. The members harvested an average yield of 38 to 42 quintals per cadastral "hold."

We planned that, in 1963, we would treat all our fields with "Hungazin" (a chemical weed-killer -- Ed. note). To avoid delays in harvesting, we are turning over our 20 per cent to those of our members who cultivate corn treated with "Hungazin." For this 20 per cent, the cooperative members have to thin out the machine-sown corn plants so that those left are at the prescribed distance from each other, to harvest the corn, to select it and store it in the barn, to cut the stalks, bundle them and stack them. According to our calculations, this kind of remuneration in corn growing considerably decreases our "wage fund needs," and, as we say: "The corn provides for itself."

### Target Bonuses in Threshing

We fixed target bonuses in several other branches of plant production. With threshing, this system of target premiums was very successful. When threshing bread wheat, we determined that 110 quintals of grain has to be threshed in a 10-hour shift. Overwork was paid by a bonus and three per cent



of the surplus, paid out in kind to the members engaged in threshing. This amount was not calculated into the normal wheat grain quota distributed to the members. Thus, threshing progressed well and we had no worries about harvesting and threshing the grain.

In animal breeding, we generally apply cash payment according to the norms fixed at the state farm. The members engaged in fattening steers receive bonuses according to the quality of the animal. A bonus of 30 forint is paid for a prime steer, 20 forint for a First Class animal. A bonus of 90 filler per kilogram of weight increase is paid if the animal reaches the stipulated weight.

I have to mention, too, that our cooperative sets great importance on good quality of leadership, branch-management and bookkeeping. In our cooperative, we employ a graduate chief agronomist, a head bookkeeper with a degree from an agricultural college, three group leaders with degrees from industrial technical schools and one person with a degree from a secondary veterinary school. These people direct the brigade leaders, and are responsible for the organization of the work carried out in the different branches of production. Good bookkeeping is also essential in this work, as it is a basic requirement where the system of remuneration is applied.

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Mihaly Losonczi, President of the Voros Csillag Cooperative in Barcs:

#### WE HAVE BRIGADES WITH THEIR OWN ACCOUNTING SECTIONS

Since 1957, our cooperative has been applying the system of cash remuneration. We have worked out the local norms for every kind of work as well as the wages. We pay out 80 per cent of the sum due to a member per month. We have no remuneration in kind, but the members are allowed to purchase, for state-fixed prices, products from the cooperative to supply their own needs. This solution conforms in essence with those used in other cooperatives which apply the system of cash remuneration. Other cooperatives, too, pay out 80 per cent of the sum due to the members, and the remaining 20 per cent is paid out at the end of the year. But there is an essential difference in the application of this system, consisting in

how this 20 per cent is accounted. It can and does happen in our cooperative that the members of some brigades do not receive the whole 20 per cent at the end of the year, while the members of other brigades receive more. The reason for this is that, since 1959, the brigades in our cooperative are units with independent accounting sections.

The income of the brigade member depends, therefore, in the first place, on the achievement of his brigade.

#### The Basis for Brigades with Their Own Accounting Sections

At the beginning of the year, each brigade draws up its own plan. This plan includes not only the planned yields, but also the input and output allocations. And the income of the brigade member exceeding the 80 per cent, therefore, depends on the profitability of its plan.

Each brigade has an open account in the central bookkeeping section of the cooperative. Credits are entered (the value of produce and of fattened animals) the same as debits: the value of work carried out by machines belonging to the cooperative on brigade territory, fees for machine stations, fertilizer, manure, fodder and different other materials. The crop growing brigade, for example, hands over fodder to the pig fattening brigade at the official price, the dairy brigade gives its cow manure to crop growers. The price of crops grown and animals bred or fattened within the contract are figured at the contractual price, and produce, etc., handed over for the use of the cooperative, are figured at state, planned or cost price. When each piece of work is achieved, the brigade leaders give an accurate account to the bookkeeping department on how much manpower was used. This is added up monthly and the members receive their guaranteed 80 per cent according to it.

Thus, by the end of the year, the amount of income of each brigade can be easily determined.

Fifteen per cent of the gross income is paid in by each brigade with its own accounting section into the communal investments of the cooperative, i.e. toward general costs. The sum which remains after the deduction of this 15 per cent is added to the sum of debits accounted during the year, naturally with the wages paid out during the course of the year also figured in. The remaining sum can be used by the brigade to pay out the 20 per cent of wages, i.e. the share of profits exceeding the percentage.



There have been several examples where some brigades have attained such a high income that they have been not only able to pay out 100 per cent of the wages, but they have also been able to pay out far more to their members. In 1959, for example, there were two brigades which could have paid out to their members as a share of profits one-fifth more than 100 per cent. Our general meeting decided that the additional income (which we call share of profits) cannot exceed 20 per cent of the total wages. This rule is justified, as otherwise some would receive a disproportionately high income. We found that such a high income, which exceeds the 20 per cent, does not result exclusively from the diligence and expertise of the members, but from some unforeseen, favorable condition or from loose planning. This is the reason why we introduced the above-mentioned restrictions.

If some of the brigades demonstrate the ability to exceed the 20 per cent of share in profits, the amount exceeding the percentage will be given to those who work in farm units.

We verify the sum of share in profits to be distributed for each 100 forint of wages; thus each member receives as much for each 100 forint as he earned during the course of the year.

#### What Determines the Member's Income?

In our cooperative, the members' income can take the following forms:

1. The brigade fulfills its plan by exactly 100 per cent. In this case, in addition to the 80 per cent guaranteed advance payment, the members of the brigade receive the remaining 20 per cent.

2. When the plan fulfillment is 100-120 per cent; let us say 112 per cent: in addition to the entire wages for work, the members of the brigade receive 12 forint for each 100 forint earned, as a share in the profit.

3. The brigade fulfills the plan by a percentage exceeding 120, let us say 135 per cent. In this case, only 20 per cent of the 35 per cent of overfulfillment is due to the brigade members, to be distributed as a share in the profit. The rest belongs to the workers employed in farm units. But the members of the brigade in question also participate in this 15 per cent, in such a case their additional income exceeds the 20 per cent.

4. The brigade fulfills only 90 per cent of its plan. In this case, the members of the brigade receive only 10 per cent at the end of the year (they have already received the guaranteed advance payment of 80 per cent during the course of



the year). Their wages will go over 90 per cent only in case one or more other brigades fulfill their plans by more than 120 per cent, and thus the money which exceeds the percentage will be distributed to other members of the cooperative, as we have already mentioned above.

5. It can also occur, although it has never happened in our cooperative, that some brigade might fulfill less than 80 per cent of its plan, let us say, only 70 per cent of it. In such a case, the guaranteed advance payment of 80 per cent has already been paid out during the year, which turns out to be more than the income of the brigade. In this case, nothing has to be paid back from the previously advanced 80 per cent, and the difference is written off as the loss of the cooperative itself.

A situation similar to that in Barcs can occur in other cooperatives, too, i.e. that a part of the working power has to be regrouped from one brigade to another. In such a case, the brigade member receives his wages from the brigade in which he is actually employed at the moment.

#### Remuneration of Leaders

We also adjusted the remuneration of the leaders from the overfulfillment of the plan. If the brigade overfulfills the 100 per cent of the plan, then the brigade leader receives one and a half more shares in profit for each 100 forint wages than do brigade members.

Farm unit leaders receive double the supplementary income of the members working in the farm unit. The president of the cooperative, his deputy and the bookkeeper receive a share in profits if the cooperative fulfills 100 per cent of its plan. Generally, they receive twice the amount of share in profits paid out for each 100 forint wages earned.

We, too, are of the opinion that the paying of bonuses is right and even necessary where the system of cash payment is applied and in the brigades which use the system of independent accounting. At the Voros Csillag Cooperative in Barcs, we apply the system of bonus payment for corn growing in the following way: if the brigade gets a yield of over 30 quintals of ear corn on one cadastral "hold" in sandy soil, and a yield surpassing 35 quintals on good soil, the brigade receives 10 per cent of the total crop. The members receive a bonus in proportion to the individual work they have carried out, from preparing the soil to harvesting the crop. We apportion the area of corn to be cultivated to the members and pay out the bonuses in the above-mentioned way. The brigade, however, has the right to withdraw or decrease the bonuse of a member who has not carried out his work sufficiently well.

The system of brigades with independent accounting has further strengthened our cooperative. Its great advantage lies in the fact that, since its application, the members economize much more on material and take far greater care of common property than before.

## 6. Bonus Payment in Animal Breeding

According to experience, different systems of material incentive are applied to an adequate degree in crop growing. This is a good thing. Where the proper methods are applied in a proper way, results have not been and are not missing.

In animal breeding, as compared to crop growing, somewhat fewer cooperatives use the methods of material incentive to encourage better work by paying out bonuses, although conscientiousness and thoroughness are of very great importance in animal breeding, too. There is no branch of animal breeding where one could not strive for better results and where good work would not bring these about. In dairy production, as in calf rearing, steer fattening, increasing livestock weight, or wool production, in addition to the amount of fodder available and breeding conditions, the work of the individual is of decisive importance.

Where bonuses are paid, the so-called end products are usually remunerated. The end product of the pig tender dealing with farrowing pigs, is the weaned piglet. Therefore, it is better to pay a bonus for the weaned pigs than simply for tending the animals or according to the number of piglets born. In animal breeding, the system of bonus payment according to fodder profitability (fodder input and output) has not yet been worked out to a sufficient degree, although this is the main problem of profitable animal breeding. It would be worthwhile, and also necessary, to deal with this question. Most cooperatives are short of fodder. And, for this reason, it would be necessary to pay bonuses for fodder profitability in order to stimulate the members of the cooperatives to more profitable production.

With the help of bonus payment, the work of animal breeders has improved in the cooperatives. Therefore, it would be right to discuss and decide, at the general meeting, along with bonus payment for crop growing, the methods to be used for remunerating animal breeders.

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Pal Kromek, President of the Buzakalasz Cooperative in Karad:

VARIED AND EFFECTIVE PREMIUMS IN ANIMAL BREEDING

Our cooperative, extending over 5,700 cadastral "hold" has already been paying out bonuses for workers engaged in crop growing and animal breeding for the past two years. In 1962, we brought about many changes in consequence of experiences gained in 1961. In crop growing, for the cultivation, tending and harvesting of row crops, we use the system of remuneration based on total production. For all manual work carried out in potato cultivation, for example, we pay a bonus of 10 per cent from the total yield and credit the work units accomplished. In the case of corn, the member receives 20 per cent of the total yield as a bonus and eight work units for the cultivation of one cadastral "hold." These methods of bonus payment have proved to be adequate. Last year, we did not credit any bonus over and above the work units in the cultivation of sunflowers. But, on the basis of experience gained in potato, sugar beet and corn growing, I am proposing this year to the general meeting to pay a bonus for sunflower cultivation in the following way: to pay out 10 per cent in cash of the total yield to the members for the cultivation and harvesting of sunflowers. In addition, we naturally also credit the work units.

Insufficient Manpower in Animal Breeding

In our cooperative, the value of work units was rather low. Under such conditions, there were not enough men permanently employed in animal breeding -- where the work has to be done daily -- migration to other places of work was extensive, and it was very hard or even impossible to replace the men.

This situation demanded that we credit a fixed amount of work units per month for animal breeders. On this basis, we give 55 to 60 work units per month to dairymen, tenders of young animals, pig breeders and other animal breeders. Thus, their monthly wages fluctuate around 1,000 forint. As a result, migration of workers has ceased in animal breeding and the members of the cooperative gladly engage in this kind of work. I know that this is not the best solution, but, in our situation, we have not found a better one. Now we are trying to change the situation by fixing the number of work units to the number of animals to be tended. The piglet tenders, for example, receive a 0.4 work unit credit for tending one piglet per month and thus those who undertake to tend 120 piglets receive more work unit credits



than those who tend only 100.

Fixed work units do not have any special power so far as material incentive is concerned to stimulate our people to careful and good work. We knew this in advance. For this reason, in the other branches of animal breeding, we paid and are paying premiums to the breeders.

### Bonuses in Dairies

Our cooperative has 350 head of cattle, including 130 cows. The dairymen are given bonuses according to the fat content of the milk. We take as a basis milk with a fat content of 3.6 per cent. Those who gain this percentage from their cow do not receive any bonus. For each additional one-tenth of one per cent of fat content, a bonus of four filler is paid. This means that, for example, for one liter of milk containing four per cent of fat, the dairyman receives a bonus of 16 filler.

We find this method to be good and just, as the price of milk also depends on its fat content. The milk concern pays 20 filler for each one-tenth of one per cent of fat content and this is a sufficient income to pay out the bonuses. This is a very good method of bonus payment as it is generally known that the last drops milked out contain the highest amount of fat, and, therefore, the dairyman has a material interest in milking his cow to the last drop. Before introducing bonus payment for the fat content of the milk, in 1960, the yearly milk yield per cow was 1,500 liters. In 1961, it rose to 1,750, and, in 1962, it reached 2,000 liters per cow. I know that this is no great achievement, as there are cooperatives where the annual milk yield per cow reaches 3,000 to 3,500 liters. But our stock is very mixed and an increase of 500 liters per animal means a lot in our cooperative.

In steer fattening, members engaged in this work receive a bonus only if they hand over an animal of outstanding quality. Therefore, only the raising of outstanding quality steers results in a bonus. In this case, a member engaged in fattening the animal receives a bonus of 50 forint per steer. Last year, our plan was to sell 111 fattened steers. These were ready in time, but the buying-up concern did not buy all of them, and the rest were sold in 1963. We handed over to the concern a total of 96 steers, 40 per cent of prime quality and 40 per cent Grade I.

### Fifteen Filler for Weight Increase per Kilogram

I believe that, in addition to the system of bonus payment used in dairy farming, the method employed in pig fattening is the most successful. In this branch, we have achieved the best results. The basis of bonus payment in pig fattening is weight increase. Pig breeders receive 15 filler premium for each kilogram of weight increase of the animal, however, a precondition for this is that when feeding the animals the traditional fodder, the grain input should reach at least 18 per cent. If the animals are fed with mixed fodder, then the grain input has to reach at least 23 per cent. If the grain input is below these percentages, no bonus is paid.

Last year, we paid bonuses to the pig breeders as the fodder output reached, and sometimes even overreached, the fixed level.

In our cooperative, piglets of 15 to 20 kilograms are weaned, and, according to modern fattening methods, put up for fattening. The animals are weighed each month. On the basis of fodder fed to them, we ascertain the meat output. If the weight is adequate, we immediately pay out the 15 filler bonus for each kilogram of weight increase.

As a result of this bonus system, even mediocre animals can be sold after eight months weighing the prescribed 106 kilograms -- we breed meat-type pigs. We have shortened the fattening-up time by one month, although we do not feed the animals skimmed milk or other dairy products, but only pig fodder.

In my view, those cooperative members who tend the sows and the farrowing should also receive a bonus. For every 40 healthy piglets of 15 to 20 kilograms weight, the member receives one piglet as a bonus. We have 200 sows which are tended by four men. Two look after the farrowing and two tend the sows after farrowing. These four men share equally in the bonus paid for the weaned piglets. Unfortunately, at the beginning of the year, our entire sow-stock had to be renewed, as it was diseased. The new stock was also infected with brucellosis and there were only few piglets. Thus, our results in pig breeding fell.

On the basis of experience gained last year, I can ascertain that good results could not have been achieved in any of the branches of agriculture without the application of the bonus system. I cannot claim that the system which we have

applied in animal breeding is the best, but we definitely decided at our general meeting this year to continue to pay out bonuses to our animal breeders according to the methods already used, and to continue to improve these methods.

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Istvan Sallai, President of the Dozsa Cooperative in Mezocsat:

#### FEED EFFICIENCY IS THE BASIS OF BONUS PAYMENT

Animal breeding plays a large role in our cooperative. We farm 2,000 cadastral "hold." Last year, we sold 400 fattened pigs; we have 100 cows, 1,000 ewes. Last year, our plan for animal breeding was overfulfilled by 10 per cent.

We apply the system of bonus payment in all branches of animal breeding. Our experiences have been good and we continue to use the bonus system.

Below I will describe our system of bonus payment in animal breeding, and, at the same time, our ideas for the current year.

#### Milk Production Plan Broken up into Units

In dairy farming, the members of our cooperative engaged in tending the animals receive the work units fixed in the work unit book. A bonus will be credited according to the milk produced. The chief agronomist for animal breeding prepared the plan for milk production and broke it up into units for each cow per month. If the dairyman milked the fixed amount of milk, he received a bonus of five filler for each liter. If he did not fulfill the plan, he received no bonus, but if he overfulfilled the plan, he received half of the overfulfilled amount in cash. But, in this case, no additional work units were credited.

In our cooperative, the yearly milk yield per cow amounts to approximately 2,200 liters. We plan to simplify the bonus payment system in dairy farming this year. We take as a basis an average yield of 2,000 liters. For this amount, we pay a bonus of five filler for each liter if the fat content of the milk is at least 3.6 per cent. If the dairyman attains the 2,000 liters within the year, he receives 10 filler per liter of milk as a bonus for each additional liter. Naturally, the milk has to have a minimum of 3.6 per cent of fat content in this case, too.



In cattle fattening, a bonus is paid to the animal breeder engaged in this work, if he obtains a better grit input than stipulated in the plan of the brigade. If the weight increase is 10 per cent higher than stipulated in the plan, the member receives five per cent of the basic work units as a bonus, if it exceeds 10 per cent then the bonus is 10 per cent of the basic work units.

#### Fat Content of Milk Also Counts

Last year our plan for raising young pigs was overfulfilled by 10 per cent. In this case, the cooperative member engaged in tending the farrowing received 10 per cent of this excess in kind (weaned piglets) as a bonus. Where the plan was overfulfilled by 110 to 120 per cent, the bonus was 10 per cent of the excess, and where over 120 per cent, it was 20 per cent.

This year, the system of bonus payment remains unchanged, but we are giving more piglets to the members as a bonus for overfulfilling the plan. We plan to wean 13 piglets from each meat type sow and 10 piglets from every "Mangalica" (lard-type) sow. If the plan is overfulfilled by 100 to 110 per cent, the pig breeders will receive 30 per cent of the excess, if the plan is overreached by 120 per cent, the bonus will amount to 40 per cent of the excess.

Last year, the tending of young pigs was remunerated by a bonus of work unit credits if weight increase overreached the plan. According to this year's plan, the pig tender will receive a bonus of 55 forint per month for tending 100 young pigs if the grit input reaches 23 per cent. If the result is better than this, he will receive 60 forint per month. For each young brood-sow handed over to the TEGI (Trading Enterprise for Breed Stock); or to a private plot, the pig breeder will receive an additional 10 forint bonus and 20 forint per young brood hog.

As in other branches of animal fattening, the feed efficiency is the basis of the bonus system. Last year, members of our cooperative working on pig fattening farms received five per cent of the basic work units as a bonus for reaching a feed efficiency of 18 to 20 per cent; for a 20 to 22 per cent feed efficiency the bonus was 10 per cent of the basic work units; and 15 per cent of the basic work units for achieving a feed efficiency exceeding 22 per cent.

This year, we are planning to pay 60 forint per month in addition to work units to pig tenders, if the feed efficiency reaches 21 per cent while feeding the animals the conventional fodder of corn, barley, etc., or 50 forint per month for the same percentage of feed efficiency achieved by feeding the animals scientifically mixed feed. At a feed efficiency of 22 per cent,

the monthly bonus will be 85, i.e. 75 forint. If the feed efficiency percentage reaches 23 per cent, we pay a bonus per kilogram of gained weight. In this case, every kilogram exceeding the 20 per cent feed efficiency, is remunerated with one forint. If feed efficiency reaches 24 per cent, the bonus is 1.30 forint per kilogram; over 24 per cent, it is 1.80 forint.

#### Bonus Payment in Sheep Breeding

In sheep breeding, we pay bonuses for the wool yield, increase in lambs and milk production.

We plan to get 95 lambs from 100 ewes. If the shepherd tending the animals has higher results, he receives a bonus in kind. If the plan is overfulfilled by 10 per cent, the shepherd receives 10 per cent of the excess and 20 per cent if the plan is overfulfilled by 20 per cent. If the progeny is over 20 per cent more than planned, the shepherd receives 20 per cent of the excess.

This year, we plan to use the same system of bonus payment, as experience has shown that we chose the right form. But we will pay higher bonuses for overfulfilling the plan. However, we fixed the minimum weight of weaned lambs at 16 kilograms.

We paid a bonus for the wool yield according to achievements over and above the plan. The wool yield plan is four kilograms from an ewe, six kilograms from a ram, 3.5 kilograms from a young animal, 4.2 from a wether more than two years old. If a shepherd overfulfills the wool yield plan by 101-110 per cent, he receives 10 forint per kilogram of wool exceeding the plan. He receives 15 forint per kilogram if he exceeds the plan by 111-120 per cent, and 20 forint for each kilogram if the percentage is over 120.

No work unit credits are paid for milking the ewes, but the shepherd receives 30 filler for each liter of milk obtained. If he milks more than 25 liters from a ewe, he receives a bonus of 50 filler for each liter exceeding the 25.

In my view, it is obvious that the income of those cooperative members who work in animal breeding should be in proportion to that earned by members engaged in crop growing. But one must take into account that workers engaged in animal breeding work about 100 days more during the year than crop growers. Those who say that animal breeders earn enough wages anyway, why pay them bonuses, too, are mistaken. The results in animal breeding can increase only if, in addition to other factors and conditions, the cooperative members tending the animals also do their best in carrying out their work.



### 7. Target Premium

Often in all cooperatives there are situations, between spring and fall, when much depends on quick and conscientious work. In such cases, a good management should adapt itself to conditions and not shy away from additional expenses, i.e. target bonuses to be paid to the members of the cooperative to speed up harvesting, sowing or other work which might result in higher yields. There are different forms of target bonuses. In some cases, decreasing the fixed norms has good results, but the most widespread and most effective form of target bonus is the one which promises payment in kind or in cash. It has to be pointed out that the target bonus cannot be the sole and chief method of material incentive, as it is applied to hasten certain work to be achieved, without having any effect on the whole procedure of production. However, it rounds off, at given occasions, the other forms of income distribution.

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Elek Szugyi, President of the Vorosmarthy Cooperative in Pincehely

#### A MEDIOCRE COOPERATIVE REACHES THE RANK OF A MEDIUM ONE

The situation of a leader who suddenly becomes the president of a bad, economically weak cooperative is extremely difficult. This was my case when I came, one and a half years ago, to lead the "Vorosmarthy" Cooperative in Pincehely. In 1960, only two million forint were distributed among the members. The value of one work unit was not even 12 forint. The cooperative, extending over 6,000 cadastral "hold," had a deficit of more than one million forint. I was in a very difficult position. The members grumbled and it was very difficult to get them to work. The cooperative had no money, and, up to May, we were unable to pay even a penny of credit.

#### We Needed the Percentage Method

I knew that, without material incentives and the diligent work of the members, we could not progress. We called



together the members and discussed which form of income distribution to introduce. We worked out the conditions of bonus payment in animal breeding and plant growing and thus as early as 1961 we were already able to distribute three and a half million forint to the members. But the members would have received a greater income if we would have applied a more incentive form of bonus payment in crop growing that year. Instead, the general meeting decided in 1961 that we would pay 50 per cent of the yield exceeding the plan only. But the plan was high and the members did not receive anything from the corn yield, as we did not even attain the amount fixed in the plan. We were in a difficult situation. We didn't have much choice, and, for this reason, the general meeting decided that, in 1962, we would pay no work units for corn cultivation, but the member who cultivated corn would receive 25 per cent of the total yield. This was very effective. The members competed with each other as to who would engage to cultivate the largest area of corn, although we grew corn on no less than 1,000 cadastral "hold." Last year, we harvested an average of 17 quintals of shelled corn on these 1,000 "hold," exactly six quintals more than the preceding year. Even so, more corn remained for the communal property. From the 17 quintals per cadastral "hold," we paid out one-quarter of the yield to the member: four quintals and 25 kolograms, and the remaining 12 quintals, 75 kilograms per "hold" remained for the communal property.

#### Bonus Payment in Animal Breeding

We gained much experience in animal breeding, too. In 1960, the "Vorosmarthy" Cooperative obtained only 1,000 liters of milk per cow. By creating a fodder base and using material incentive in the remuneration of dairymen, by 1961, the milk yield reached 1,800 liters per cow, and 2,500 liters in 1962. Dairymen received as a bonus every seventh liter of milk exceeding the plan. Thus, dairymen in our cooperative received 17,000 forint in bonuses.

We also encourage our pig breeders to achieve better results. For every fattened pig handed over, pig tenders receive a bonus of five forint. Fourteen piglets weighing 14 kilograms each have to be weaned from each breed sow. If this

plan is fulfilled, the animal tenders receive one piglet as a bonus. Every fifth piglet over and above the plan belongs to the pig tender.

The example of the "Vorosmarthy" Cooperative in Pincehely proves that material incentive, coupled with good leadership, is able to produce miracles. Within one and a half years, our cooperative rose from a mediocre to a medium one and the time is not too distant when it will be mentioned among the good cooperatives. In my view, the most important task of the cooperative leaders is to watch carefully over the proportions of bonus payment. In corn production, we kept the most important principle in view: at least 70 per cent of the yield should remain in communal property and 25 to 30 per cent be distributed among the members to encourage them to work. In a word, the members of the cooperative should receive their share while communal property should also gain. Experience shows that where the cooperative members have no direct material interest in production, work progresses slowly, agricultural yields are low and production falls behind.

#### The Advantage of Target Premiums

Our general meeting decided that five per cent of the yearly gross income can be used up as a target premium. I have the feeling that the system of target premiums has produced very good results in our cooperative. I would like to mention a few examples which illustrate the usefulness of setting up a target bonus for the achievement of certain tasks. Back in the fall, I noticed, that our hay stock was being used up very fast. Every cooperative leader knows that the drivers of horse-drawn vehicles like to give a bit more hay to their horses whenever they can. Although our cooperative used an older member to dole out the hay, the horses always managed to receive a few additional fork-fulls. We pondered on the ways and means by which the daily hay norm could be kept. Finally, I decided to speak to the cooperative member who handled the fodder for the horses. I told him that this haystack has X cubic meters, X quintals of hay and that he has to distribute so much hay daily, and, if he kept to this norm, the haystack had to last 30 days. If the haystack lasted longer, he would



receive a bonus of 20 forint for every day exceeding the 30. It is interesting to note that the haystack now lasts five to six days over the fixed 30 days, and, thus, we saved enough hay in a year to last us another month.

In the fall of 1961, fall sowing was extremely difficult. One could hardly find one or two men to handle the sowing machines, as the members had no material interest in the work. Thus it came about that we were still sowing in the middle of December. This year, we decided to pay a target premium to the members handling the sowing machines. We selected enough people to carry out the sowing. We asked them if they were ready to sign an agreement: if you participate in fall sowing from start to finish, you will receive the fixed work units, and if the sowing will be finished by at least November 7 and the work adequately done, we will evaluate your work after the green shoots appear, and you will receive one and a half quintals of wheat as a target bonus. We also included the tractor drivers in this plan. We finished sowing by November 7. One Sunday, after the young shoots appeared, I saw one of the men who drove the tractor during sowing time, with a sack on his shoulders and carrying a small rake. I asked him where he was going? It turned out that he was going to the barley field; when the young shoots appeared, he saw some bald patches and he intended to remedy the situation by sowing more grain by hand. The results of sowing were much better than in the previous year. This is what the target bonus means.

Andras Czabarka, President of the Dimitrov Cooperative at Ambrozfalva

#### CORRECTLY APPLIED TARGET PREMIUMS ARE VERY EFFECTIVE

Our cooperative was formed in 1949. We have no special method of bonus payment. For years the work units have paid around 50 forint. Work units are highly valued and encourage the members of the cooperative to carry out good work. But if we want to carry out a task involving special quality or quantity,



we set a target for a fixed date and we set up a target bonus. We think that this method is a good one.

In dairy production, for example, there was always talk that the dairymen did not milk the cows thoroughly enough and the fat content of the milk was low. So we introduced a target bonus: we said that we would pay 10 filler for each liter of milk if the fat content reached 3.6 per cent. Since then, the dairymen do their utmost to get the best results in the quantity and quality of the milk. We have seven dairymen. We pay 55 work units for tending 10 cows. For this, the dairyman has to do all the work around the animals, from feeding to the weaning of the calves. At present, our milk yield averages 12 liters, the stable-average is nine liters. The dairymen are paid about 10,000 forint per year as a target bonus, whereas the cooperative has achieved an income increase of 40,000 to 50,000 forint. The dairymen work in brigades and receive their bonus in monthly installments.

#### To Avoid Discrepancies

We have a KISZ brigade in our cooperative, we are paying bonuses to its members. They receive 25 per cent of the yield over and above the average harvest. We introduced this method of bonus payment to encourage the young people, to make them like their work and stay in the cooperative.

In many places, there is a great difference between the income of those who work in animal breeding and in crop growing. In 1956, we took measures to even out this discrepancy. We eased the norms in crop growing by about 25 per cent. Thus, a woman, for example, who is engaged for six to seven months in crop growing, is able to earn about 300 work units and make a yearly income of around 10,000 forint. It became necessary to increase the work units for those who are engaged in crop growing, as we are unable to give them work during the whole year. Those engaged in animal breeding work throughout the year, which is not possible for those who work in the fields. At present, a pig breeder, if he fulfills his norm, gets an average of 600 work units. But a crop grower working for nine months of the year can also obtain 500 work units and his income approaches

that of a member who is employed whole-time during the year.

### Effectiveness of Target Bonus

In our cooperative, the system of target bonuses has always been efficient. One example: our sugar beets were still in the ground when frost came. We feared for the crop. To help the situation, we decreased by one-third the very highly set norm for picking the beets, thus the pickers received, in reality, a target bonus, so that they worked in bad weather with great zeal. The crop was harvested in a few days, which otherwise might have taken weeks.

In that year of drought, although the rainfall was only 400 millimeters, our average yield increased. We harvested 29.80 quintals of shelled "May" corn per cadastral "hold," 131.20 quintals of onions and 223 quintals of sugar beets.

When work is at its busiest, we pay target bonuses to the members to increase their diligence. It is imperative that work should be achieved before frost turns sugar beets still in the ground, as this might be harmful to the people's economy and the cooperative.

The members disliked the harvesting of hay. We promised them 200-400 forint, in addition to the work units, if the hay were harvested in time. The work was done at the appointed time and we were able to start plowing in time.

One sowing machine and two men sowed 84 cadastral "hold" in 24 hours. This strenuous work had to be completed, as a sudden rainfall made the continuation of the work uncertain. These two men received, in addition to their work units, 200 forint each as a target bonus and an allowance for the night work.

In our view, it is important that the men should be satisfied and receive a good income, and that good relations be maintained. We also do not deny the incentive effect of other systems of bonus payment, but, in our cooperative, the members are satisfied and in agreement with the work unit system and the target bonus method which we have worked out.