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LABYRINTHINE WAGE INCENTIVE SYSTEM IN POLAND

Summary: The increasing complexity of the material incentive program in Poland, as well as in much of the rest of Eastern Europe, is resulting in a situation where the worker no longer understands the basis on which his final earnings are determined. Consequently, the reasons originally set forth as justifying the introduction of many of the attainment indices set as a basis of supplementary income payments are being obliterated in the growing sea of confusion among the workers.

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Throughout Eastern Europe, material incentive programs range from those which might be classified as "very difficult" for an ordinary worker to understand to those which are "impossible" to comprehend. A recent article by Dariusz Fikus(1) describing the material incentive system employed in a specific factory situated within the confines of greater Warsaw is merely illustrative of a much more widespread development which is spreading rapidly in many East European countries as part of the program for implementing economic reform.

Experiences in a Warsaw Factory

Every year, each factory in Poland draws up a list of earnings. Usually these are drawn up for internal information purposes, but somehow the ever-efficient "grape vine" communication system gets hold of this information, and before long the contents of the income list become "the iron topic of discussion over tea." Unlike the information released at the end of each plan

(1) "What the Wallet Conceals," Polityka No.36, 6 September 1969, p.

period, when data about what happened on the national scene to average wages, per capita income, labor productivity, and the like -- to which the overwhelming majority of the people respond with a sigh or a yawn -- the wage information revealed by the factory income list has become an exciting topic of immediate interest to those working in a particular factory or plant. It is this information on data pertaining to the 1968 earnings of employees in a particular factory in metropolitan Warsaw, that provides the backdrop for a number of insights on how the material incentive wage system operates in fact.(2)

Income payments in the factory are affected by the amount of the basic wage, bonuses, rationalization awards and payments, and non-personnel fund grants. Earnings of leading cadres are especially affected by the variable supplements they are paid. As one might expect, the variable part of their earnings, after a time, is viewed as if it were similar to the fixed basic wage -- i.e., those who receive such payments begin to think they are entitled to them on a regular basis. With the development of this type of attitude the incentive aspect of supplementary payments tends to become dulled.

Bonus Payments

A review of the bonus payments and the basis on which they are awarded reveals the complexity of this kind of supplementary payment. Points are awarded. To qualify for the maximum bonus, an individual may earn up to 60 points if the planned tasks are fulfilled. Another 40 points can be earned for the accomplishment of above-plan tasks. Should an individual earn the full 100 points, his supplementary bonus may reach a maximum of 80 per cent of the basic wage paid for his particular occupational classification. The indices which one must fill and/or overfulfill are numerous. For example, up to 15 points can be earned for the fulfillment of the co-operation index, provided a given assortment is achieved; export delivery plan fulfillment to capitalist and socialist countries would be worth 25 points, and the implementation of the technological plans and the production of specialization goods may mean another 16 to 20 points. Above-plan tasks that earn points include the implementation of planned investments, reduction in idle time of equipment and capital goods stocks, production of quality goods, non-increases in the level of factory claims, which are measured by a special index, and a whole series of other tasks. The following remarks by Fikus on the employees' awareness of the relationship between the size of the supplementary payments and the attainment of various planned and above-plan tasks, are instructive:

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- (2) See the attached appendix for details pertaining to the effect of the basic wage, bonus grants, rationalization awards and payments, and payments from the non-personnel fund on the final gross income received by various management personnel and technicians.

In this situation, is an employee, not one at the very top of the pyramid but an average engineer or technician, able to grasp what he receives a bonus for? In every case in our factory, we can answer, with complete assurance -- no.

But there are still other awards and payments that make up the final gross earnings of an employee.

Rationalization Awards and Payments

Engineers in particular may become the largest beneficiaries of payments made as various rationalization awards. Fikus mentions a number of peculiar but understandable views held by those employed at the Warsaw factory. He noted that an oft-repeated remark was the observation that a rationalizer "does not give a damn for work and only thinks of inventions." In another case, he noted that among the list of rationalizers one finds "the name of the patent attorney as the co-author of improvements," which, according to Fikus, "seems [to be] a strange practice."

Humorous Side of Special Awards for Exporters

The Warsaw factory sells about 50 per cent of its production abroad, and exporter awards play a part in determining the level of the final income payment. Although only a small amount -- only 1 per cent of the factory wage fund -- is set aside for this purpose, the questions Fikus asks about the stimulating effects of these payments on performance raise some serious reservations about the efficacy of the material incentive program. He posed these questions as follows:

How is this fund to be divided? How to separate, on the lower level, the employees working for exports from those who work for domestic demand? How to explain to a lathe operator who makes spare parts that some of them are destined for export and some for the domestic market, and is it possible to do so at all?

Similar questions can be posed with respect to the other awards already mentioned.

To close this section, a brief mention of a few other so-called "petty awards" may help to round out the picture: such awards are granted for "collection of scrap iron, return of wrappings, etc."

What is the effect of variable payments and awards on the relative income structure among the members of the management and technician groups?

Effect of Variable Payments on Income Structure

The attached appendix provides a capsulized view of the effects of variable payments on the relative position of a number of employees at the Warsaw factory. A quick look justifies the following conclusions. As might be expected, total wage payments increased substantially as a result of the addition of award payments and bonuses. Equally clear is the fact that the relative income position of the individuals remains largely unchanged when one compares their ranking on the basic wage scale with their rank on the basis of the total payment received when the variable part of income has been added. There is some improvement in the income spread, however. Among the 80 best-paid employees, the basic wage spread was about 2:1 between the highest and the lowest paid; the ratio changed to 3:1 after bonus and award payments. This reflects the low level of differentiation in basic wage payments in the first place.

Other Shortcomings in Wage Structure

Additional wage structure difficulties were cited by Fikus. He noted that the basic wage scales easily become obsolete because they are not changed frequently enough to keep pace with the changes taking place in industry. The rigid basic wage structure also forces management to resort to a number of subterfuges. Since he needs certain specialists who will not work for the pay set in the wage schedule, the factory director invents titles under which he will be able to pay more to the specialists. The number of managers and assistants grows, and so does the number included in the bureaucracy.

In conclusion, it appears that the officials are unwilling to adjust the basic wage scales frequently enough to meet changing conditions -- for fear, perhaps, of opening a Pandora's box. Nor are they willing overtly to permit market forces to play a greater role in determining the wage structure. Refusing to choose either one of these alternatives -- or any combination of them, for that matter -- as a means of developing a more defensible wage structure, wage policy officials are resorting to greater reliance on a plethora of indices, which are used as a basis for making additional income payments to employees and workers. They thereby hope to correct an initially poorly constructed or obsolete schedule of basic wages. Under the system in Poland -- and, one may safely add, throughout Eastern Europe -- it has become increasingly complex and difficult for the wage recipient to understand why he is paid the supplementary income. This lack of understanding among workers must result in progressive obliteration of the original aims of the myriad types

of supplementary payment. At the metropolitan Warsaw factory, according to Fikus, a situation has come about in which, in the field of material incentives, one is faced with:

A thicket only seasoned specialists can force their way through. An ordinary man is interested in one thing: the amount marked at the end of his pay slip and the amount of the quarterly bonus. The rest is a puzzle, a charade, which he leaves to management and bookkeepers to solve.

Harry Trend

A P P E N D I X

Selected Income Payments in a Warsaw Factory, 1968

Item	Position	Basic Wage	Bonus	Awards & payments for rationalization	Non-personnel fund	Total payments	Average monthly payment
1.	2.	3.	4.	5.	6.	7.	8.
1.	Manager of the technological & construction department	80,000	14,018	79,823	570	174,811	14,567
2.	Director-general	66,000	46,689	42,100		154,789	12,899
3.	Chief engineer	60,000	43,917	49,880	114	153,911	12,826
4.	Assistant Chief Designer	48,000	17,060	65,785	4,868	135,713	11,309
5.	Chief Designer	51,600	28,121	51,701	114	131,536	10,961
6.	Chief of Production	57,600	33,903	30,250		121,753	10,518
7.	Exports Director	57,600	33,903	30,250		121,753	10,146
8.	Section manager in the department of technology and design	39,600	8,679	62,585	38	110,902	9,241
9.	Economic Director	54,000	31,259	24,700		109,959	9,163
10.	Chief Bookkeeper	52,800	29,945	25,100		107,843	8,986
20.	Deputy Director for Investment Affairs	51,600	25,859	14,000	133	91,592	7,632
30.	Senior clearance officer in the department of technology	39,600	7,811	26,552	7,500	81,463	6,788

1.	2.	3.	4.	5.	6.	7.	8.
40. Department manager in the technological production line	43,200	17,200	18,000			78,400	6,533
50. Section manager in the design office	40,800	9,997	6,500	15,970	73,267	6,105	
60. Assistant chief technologist	40,800	17,623	9,865		68,108	5,675	
70. Section manager in the technological construction department	40,500	8,539	16,075		65,114	5,426	
80. Assistant manager of the organizational department	44,400	15,584	1,364		61,348	5,112	

Source: Dariusz Fikus, "What the Wallet Conceals," Polityka, No. 36, 6 September 1969, p. 4.