

2C
5

JPRS: 2640

1 June 1960

RETURN TO MAIN FILE

WAGE SYSTEM IN COMMUNIST CHINA

DISTRIBUTION STATEMENT A
Approved for Public Release
Distribution Unlimited

DTIC QUALITY INSPECTED 8

Reproduced From
Best Available Copy

20000124 057

Photocopies of this report may be purchased from:
PHOTODUPLICATION SERVICE
LIBRARY OF CONGRESS
WASHINGTON 25, D.C.

U.S. JOINT PUBLICATIONS RESEARCH SERVICE
205 EAST 42nd STREET, SUITE 300
NEW YORK 17, N. Y.

DTIC QUALITY INSPECTED 1

JPRS: 2640

CSO: 3689-N

WAGE SYSTEM IN COMMUNIST CHINA

TABLE OF CONTENTS

Article

Page

Wage Fund Control in Liaoning Province 1

A Study of the System of Piece-work
Incentive Awards 9

Wage and Award System for Promoting
Quality and Quantity in Production 17

WAGE FUND CONTROL IN LIAONING PROVINCE

The following is a full translation of an article written by Ts'ao Yang-ko, Director of the Labor Department, Liaoning Province, in Lao-tung, (Labor) No 23 Peiping, 3 December 1959, pages 19-23.

Why Must Wage Fund be Controlled?

We all know that the national economy of our socialist state is a planned economy. Labor planning is an important component of the whole national economic planning; while wage control represents an important goal in labor planning. An increase in the wage fund must be justified by increases in production and labor productivity.

The rate of wage increase must be less than that of the increase in labor productivity. Only in this way can the immediate and long-term interests be harmonized, and the interest of the individual and that of the state be closely coordinated. Only in this way can the relationship between accumulation and consumption be properly adjusted so that the planned and proportional development of the national economy may be promoted more effectively.

The wage fund constitutes not only the principal of consumption expenditure, but also accounts for a large portion of money in circulation. If the wage fund is not well portioned it will adversely affect the balance between purchasing power and the supply of goods. Therefore, the planned expenditure of the wage fund is not only required on the basis of objective, economic principle, it is a practical necessity in our present undertaking.

However, the fact that we did not control the wage funds in the past affected to a certain extent the proper implementation of the labor wage plan and produced unfavorable effects on production. In the first place, owing to the lack of rigid control over the use of the wage funds of the enterprises, many enterprises freely increased their personnel in excess of actual production requirements thus hampering the rise in labor productivity.

In the second place, some enterprises and departments paid little attention to economy in the allocation of the wage fund. In establishing their incentive and subsidy systems, they considered only their individual circumstances. This not only increased the expenditure of the wage fund but affected the balance

of pay scales among the various enterprises and departments. Moreover, the excessive increase of the wage fund affects the supply and demand relations of certain commodities in the market as well as the normal money circulation.

In accordance with the instructions of the Provincial Council, our province will initiate an over-all control over the use of the wage fund in August and September of this year. The control must be practiced in order to implement properly the labor wage plan, to obtain, in good time, an understanding of the conditions and problems of labor allocation and wage fund expenditure, and to prevent and reduce as much as possible waste in the use of labor force and the wage fund. It is also aimed to strengthen economic accounting and to cut production costs by various enterprises as well as to achieve a proper adjustment between purchasing power and the supply of goods.

How to Control the Wage Fund

The principle of wage fund control in our province is to proceed gradually from the general to the particular and from one sector to the whole area. The sphere of control covers the following: first, enterprise units under the ownership of the whole people and government offices; second, enterprise units operated by the people under the collective ownership system (only those sectors using the wage system). The control is to be exercised in two stages. In the first stage, the control will cover enterprises under the ownership of the whole people, business units, government offices and organizations. These include state-operated enterprises, local state enterprises, public-private joint enterprises, communications and transportation, capital construction, commerce, trade, food, government offices and organizations, cultural, educational and health units and industries in the ch'u and chen. In the second stage, the control will be extended to other departments.

As to measures of control, the first step will be to control the overall wage funds of the enterprises, government offices, and organizations. Before the labor plans of these units are approved, the actual number of personnel and the amount of wage payment (the personnel figure equal to the number employed at the end of last year, less the total to be dropped this year.) as reported by these units will be examined and approved for

the time being. This is a rather crude method. But after drawing a line and controlling the wage funds on the basis of the number of personnel within that limit, disputes between enterprises and business units may be avoided. This will also facilitate the further development of wage fund control.

The second step consists of organizing special personnel to make an intensive investigation and study of the new personnel figures of the various enterprise and business units. They will help these units revise their personnel requirement on the basis of their production tasks, their technical levels and the extent that their labor organization can be improved. In this way, the personnel work will become better defined and rational.

The third step is to proceed gradually from the control of the total wage funds to the control of component items. These items include the standard wage, piece-work wage, incentive, and subsidies. The personnel list includes the total staff; the production workers, the staff members, and service personnel.

The procedure of control consists of centralized leadership and careful scrutiny at all levels in accordance with the review and approval procedure of the labor plan. The enterprises make their quarterly labor plans (divided into months) on the basis of the state approved annual labor plan and quarterly production goals. These plans are sent to the departments in charge for review and approval. When the approvals are transmitted by the departments in charge to the enterprises, copies are sent to the local labor departments and the banks in which the enterprises concerned maintain accounts. The labor departments and the banks will exercise control on the basis of these approved plans.

When an enterprise applies to the bank each month for its wage fund, it must send to the bank an estimate of the actual wage payment. The bank will check the estimate with the labor plan. If the estimate falls within the labor plan, the wage fund will be issued. If the estimate exceed the amount provided for in the labor plan, the consent of the labor department and the department in charge must be obtained before the bank can make the payment. (As the control has just started, we should be somewhat lenient in its implementation. For the time being, the funds allotted for the different months of a semester may be freely transferred within the period but fund assigned to one quarter may not be

transferred to another.) If the estimate of the whole system under a department exceed what is provided under the labor plan, the department should report to the various divisions charged with examining and approving labor plans for their consent. The funds requested will be issued only upon the approval of the Provincial Council.

In our province, the control of the wage fund is exercised principally by its labor department under the leadership of the party committees at various levels, with the participation of the Planning Commission, the Finance Department, the banks, and the offices in charge of the enterprises concerned. The division of labor among them is as follows: besides being responsible for organizing control work and taking part in the formulation of wage fund control measures, the Labor Department has joint responsibility with the Planning Commission to examine and approve labor plans. After the whole plan is decided upon, concrete measures for the expenditure of the wage funds of the various enterprise and business units are examined and approved by the departments in charge of the units (they may consult the Labor Department). The banks will make the payments on the basis of the plans.

Preliminary Results after the Implementation of Wage Fund Control

Although some enterprises in our province had begun to experiment with wage fund control in 1954, the work did not really get started until August of this year 1959. In this brief period, we have not been able to make an intensive investigation to sum up the results. However, our preliminary study indicates that the results of the wage fund control are quite satisfactory. The principal gains are as follows:

(1) The expenditure of the wage fund has been achieved according to plan and waste have been eliminated. As the plans for the disbursement of wage fund must be reviewed and approved beforehand, the departments in charge are enabled to analyze any excess over projected expenditure by the enterprises concerned and urge them to effect prompt corrections.

For instance, there was confusion in the use of the wage fund at the Yen-t'ai Coal Mines in Liao-yang. Funds that should be paid out of the labor insurance and welfare items were paid out of the wage fund. Some workers who

had been transferred from working in the pits to ground work continued to receive health subsidies. After the implementation of the wage fund control, this kind of confusion was basically overcome. The expenditure for extra shifts were also greatly reduced.

(2) With the implementation of wage fund control, the enterprises are obliged to strengthen control over their personnel thus creating favorable conditions to the improvement in labor rationalization and the streamlining of the labor force. In making plans for the reduction and readjustment of the labor force in our province this year, we were, at the same time, carrying out wage fund control. No wages would be paid in excess of what was stipulated in the new personnel quota without approval. This promotes the readjustment of labor organization and reduction of excess personnel. For instance, in the past the Pen-hsi Steel Company had repeatedly instructed its factories and mines to cut the number of their excess personnel. Some of them would procrastinate on the pretext that their production tasks were so heavy that they could not reduce their labor force. They acted only after the Company had transmitted to them the personnel and wage fund quotas. A certain factory at Fu-shun, while reporting the reduction of four hundred workers, still kept them in the plant. It was not when this situation was uncovered after the implementation of wage fund control that the plant began to cope with the matter.

(3) Control over labor planning has been strengthened. As wage fund control is carried out on the basis of labor wage plans, the various units are paying more attention to their labor plans. For instance, after the implementation of wage fund control, the party committees of some of the enterprises at Fu-shun have been making special studies on how to reach the quotas set by the labor wage plans and have appointed special personnel to take charge of the work.

(4) After personnel work has been strengthened and labor organization improved, the enterprises are further urged to strengthen their economic accounting. This has the effect of cutting production costs and raising labor productivity. For instance, after practicing wage fund control, the Liao-yang Coal Mine managed to eliminate unreasonable expenditures, thus reducing the cost of each ton of coal from July to August

by seven percent and raising overall labor productivity by 7.9 percent in the same period.

(5) The practice has the effect of controlling the volume of money supply and reducing market pressures. For instance, in Liao-yang-hsien where excess personnel has been trimmed and wage fund placed under control, the wages fund are now paid out in great measure according to plan. This provides a check on hiring of temporary workers and free disbursement of wage funds. This resulted in savings on the wage fund. Wage payments between the 10th and 20th of August were 45,000 yuan less than that of the same period in July and 49,000 yuan less than that of the same period in July and 49,000 yuan less than the payment for the same period in June. The volume of retail sales between the 10th and 20th of August was 335,000 yuan less than that of the same period in July and 179,000 yuan less than that of the same period in June.

(6) The practice enables the departments in charge of the enterprises and the provincial offices at various levels to see how the labor and the wage plans are being carried out and to urge the enterprises to improve their work. At present, the enterprises are comparatively weak in their wage control work. Some leaders of the enterprises do not have a very clear idea of the number of personnel in their own enterprises and the amount of wage expenditure. It is thus difficult for the province to know at a given time how the labor wage plan has been carried out in the whole province. It is now possible to pinpoint the problems in time on the basis of the data reported and to urge the enterprises to solve them without delay.

How the Wage Fund Control Work Can Be Further Improved

Although our province has achieved a certain degree of success in the work of wage fund control, some problems still remain. The principal problems are as follows: the labor wage plans are not formulated in time and formulated accurately enough; the staff members and workers in general still do not appreciate the significance of the wage fund control work; and the control system is still not sound enough. In order to solve these problems and to further improve the wage control work, it is necessary to realize the following:

(1) Further reliance on the Party leadership and the implementation of the mass line. That the wage fund control work has proceeded rapidly in our province this year is due to the personal leadership of the party committee members and the tight control they exercise. It is also due to our reliance on the masses and the joint efforts of the various departments concerned. Thus, in the future, we must act under the leadership of the party committees at various levels and rely closely on the entire body and staff members and workers in organizing and developing the potentials of the departments concerned in order to improve the wage fund control work. At the same time, we must study the problems encountered in our work and seek constantly methods of improvement so that wage funds may be expended more rationally and labor wage plans utilized more effectively for the benefit of production.

(2) Strengthening control over labor wage planning in various units. The system of wage fund control is in fact the concrete manifestation of control over labor planning on the whole. To exercise proper control of the wage fund, it is necessary, first of all, for the units concerned to formulate their labor planning accurately and on time.

(3) Intensification of propaganda education to give the staff members and workers proper understanding of the importance of wage fund control. At present, due to the lack of understanding of the advantages of wage fund control, anxiety and conflicting sentiments have arisen among staff members and among workers of certain enterprises; they are afraid that wages may not be paid on time, -- that the new system may be inconvenient. For instance, cadres in some enterprises would say: "If plans are not accurately executed, no wage payment will be made. What shall we do then?" "What if wages are paid in excess of the planned quota and such expenditures are not admitted?"

Consequently among these enterprises the system is not actively and seriously exercised. Even in enterprises where the system is carried out, not enough attention has been directed to the subject. At the same time many people stress the objective difficulties. They believe that the work of streamlining has yet to be completed, that the conditions for such control are yet inadequate. As they regard fund control as somewhat mysterious, it has aroused fear and hesitation.

The presence of these feelings indicates that

further strengthening of propaganda education among the staff members and workers is necessary. The importance of wage fund control should be explained to them constantly so as to relieve them of their anxiety and bring about uniformity in their thinking and understanding. Only in this manner can the work of wage fund control be accomplished.

(4) Strengthening of various concrete measures and systems of wage fund control. Wage fund control is a new system. In order to carry out this system properly, it is necessary to devise a set of measures that are sound-- for instance, review and approval procedure, reporting system, classifying the functions of the various offices of control, their division of labor and cooperation, etc. Of course, attention should be paid to such problems as excessive paper work (statistical charts, etc.) and over complex approval procedure, etc. Concrete implementation measures, procedures, and systems must be constantly reviewed and improved so that they can be gradually perfected.

(5) In carrying out wage fund control, we must be strict in preventing waste for non-essentials. Yet we must be liberal in spending for what is needed. That is to say, we must prevent the waste of wage funds on the one hand, but pay attention to the living conditions of the staff members and workers on the other. The living conditions of the staff members and workers should be improved as far as the national wage plan permits so as to stimulate further their work enthusiasm and to promote a great leap forward in production.

A STUDY OF THE SYSTEM OF PIECE-WORK INCENTIVE AWARDS

This is a complete translation of an article submitted by the Labor Bureau of Hunan Province, appearing in Lao-tung, (Labor), No 23, Peiping, 3 December 1959, pages 24-27.

I. The Origin and Experiment of Piece-work Incentive Award System.

In the great leap forward in 1958, many factories, mines and capital construction enterprises discarded piece-work and adopted the time system at the request of the workers. The abolishment of piece-work eliminated conflicts between the workers who were paid according to piece-work and those paid on time basis; it overcame such irrational phenomena as excessive earnings accrued to a small number of piece-work workers who exceeded their production norms. It served to promote solidarity among the workers and stimulate production. However, new problems arose after the abolition of the piece-work wage system. Among enterprises or those aspects of enterprises where manual labor plays an important role and where supervisory functions are relatively scattered (for example earth-moving and stone-masonry in capital construction work; workers in the pits; load carriers, etc.), discipline deteriorated and efficiency declined. Workers questioned the practice of the simple time wage system. How could we solve this problem? Should we revert to the piece-work system as it was? Or should we adopt the system only after we had improved upon it? In general people preferred the latter but no one had any experience as to how the improved version should be formulated.

It was precisely at this juncture that the Mei-t'an Pa Coal Mine at Ning-hsiang came out with an "award-deduction" system (actually, the system involves subsidies rather than deductions so it may be called the "award-subsidy" system) in the second half of February 1959. Under this system wages are computed on the basis assigned production norms. A team of workers constitutes the unit for the measurement of performance. Where performance exceeds the assigned norm, the workers are paid the basic wage plus an award equal to 80 percent of the piece-work value of the excess portion. Where a team fails to fulfill the assigned norm, the workers are

paid a wage proportionate to the amount of work accomplished plus a subsidy equal to 30 percent of the piece-work value of the unfulfilled portion. After this system was put into practice workers' positive attitude was greatly enhanced and labor efficiency increased. In the Hsi-feng-ts'ang district of the Ning-hsiang Coal Mine, labor efficiency in the pits was raised by 37.14 percent in the second half of February over that of the first half of the month. Thus the system attracted the attention from numerous quarters.

In April, the Labor Bureau and the Coal Bureau of the Province called a conference of the units concerned at the Tzu-hsing Coal Mine. A preliminary study was made of the wage system at Mei-t'an Pa. With that as the basis of discussion we absorbed the experiences of the other units. We designated this system the "piece-work incentive award system." We also resolved to experiment with the system first at certain key spots in some of the coal mines owned by the province. By early May some units already obtained good results from preliminary trials. After the provincial wage conference studied it in May and upon the approval of the provincial leadership a decision was made to extend the sphere of the experiment to all the coal and to non-ferrous mines, enterprises in the province, as well as the small factories and mines under the hsien. In the middle of August, a special conference was called at Chu-chou to conduct a study of the piece-work incentive award system. The nature and the function of the system were clarified as well as such problems as the measures and spheres of its implementation. It was concluded that the system serves well the needs of those enterprises where manual labor is predominate.

After more than six months of experimentation and continued study, vast improvements were made over the system as was first introduced at Mei-t'an Pa. New features were incorporated into the system. For instance, a comprehensive work quota based on production requirements is introduced. The distribution of awards within a work group (team) is determined democratically by the small group on the basis of the individual's production record and political manifestations. The criteria for awards include quantity and quality of production as well as observation of safety standards, and economy of raw material.

The piece-work incentive award system has been tried in two hundred and five enterprise units of various sizes in the whole province. These units have close to

70,000 workers. The results are good. The system not only has stimulated a marked improvement in productivity, it also has promoted quality improvement, economy of raw material, and production safety.

II. The Nature and Function of the Piece-work Incentive Award System.

The piece-work incentive award system is based on production norms. Under the system, the workers are paid on the basis of the output of their labor and not the number of hours worked. Hence, it possesses the basic characteristics of the piece-work wage system. However, it is different from the old piece-work wage system. It is a vast improvement over the old system. While incorporating the merits of the old system, it overcomes its principal weaknesses. It is, therefore, superior to the old system. Based on the results of the past six months, we can show the principal functions of the new system and its superiority over the old from the following:

(1) The implementation of the piece-work incentive award system makes it possible to realize more fully the principle of "distribution according to labor" and "more work, more gain." In consideration of material benefits, workers will be more concerned about this performance; they will strive to improve their efficiency. In this respect, the principal merit of the old piece-work wage system is retained.

(2) The implementation of the piece-work incentive award system contributes to the internal solidarity and cooperativeness among the workers. As the piece-work incentive awards are given to the collective group (team) rather than to the individual, collective rather than individual effort is the decisive factor in winning awards. Thus, the individual and the collective economic interests are united; the individual has a deep interest to raise the combined efficiency of the group. Moreover, the work quota is a comprehensive one. Closely related divisions whose work may be grouped into a combined unit are thus organized to compete for awards. In this way, their material interests are interlocked. Therefore this system can overcome, to a large extent, the weaknesses of the old piece-work system. For example, in the past, there was often a lack of coordination between the coal mines in the pits and the ground transportation workers.

At times, conflicts would drupt between the two. The transportation workers would slow down deliberately to let coal accumulate, thus impairing the efficiency of the miners. Now, the miners, the transportation workers and other closely related divisions of labor are grouped into a single team in their competition for awards. Now they take the initiative to assist one another in production; there is none of the non-cooperative attitude of the past.

(3) The piece-work incentive award system makes it possible to link closely ideological achievements with material awards. This is what the old piece-work wage system did not have. The distribution of incentive awards within a team is not based on the individual's technical competence; rather he is judged on the basis of democratic evaluation. This democratic evaluation is a part of a worker's self-education process. It is the best form of socialist education. Evaluation enables the backward to catch up with the advanced; the advanced with the more advanced. Meanwhile, production record forms not the only criterion for evaluation; such political criteria as intellectual awakening, work attitude, cooperativeness, submission to leadership, etc. all are included for evaluation. Thus, the system not only elevates the production technique of the workers, it also stimulates them to seek continuously ideological advancement. In many units where the piece-work incentive award system is practiced, labor discipline has universally improved. Such phenomena as arriving late for work and leaving early, absenteeism, and leaves of absence have been greatly reduced. For instance, the Hsiang-t'an Steel Company had only 90 percent attendance in March. In May attendance jumped to 97.2 percent.

(4) The implementation of the piece-work incentive award system encourages over-all consciousness on the part of the workers to achieve quantity, quality, and economy in production. The criteria of incentive awards include not only the production norm but also quality, safety, and economy requirements. In case of serious accidents or material waste, the awards may be cut or withheld. This will curb the tendency on the part of the workers to stress only the quantity of output while ignoring quality, safety, and economy of raw material. This works to strengthen the economic accounting of the enterprises, to cut costs, and to insure the over-all fulfillment of various economic targets.

Following the implementation of the piece-work incentive award system in the first engineering department of the Hsiang Steel Company, not only the plan was over-fulfilled, there was not a case of inferior quality reported for the whole month. Since the introduction of the system at the Mai-t'an Pa Coal Mine, output has increased every month while quality has been maintained. There has not been any serious accident. In all these respects, the new system is superior to the old.

(5) The piece-work incentive award system brings many advantages to the administration of the enterprises. Now that individual interest and state interest, immediate interest and long-term interest, are all properly united, the sense of responsibility on the part of the workers for the improvement of output is very much heightened. They are actively concerned with the administration of the enterprises. They actively assist the enterprises to improve administration and labor organization, to establish and restore various systems, etc. Thus, absenteeism and waste are eliminated and the production task is properly coordinated. This is quite different from the situation under the old piece-work system when the workers were resentful of the lax management by the administration and were often at odds with the administration.

(6) While the piece-work incentive award system assumes the workers an increase in income as output increases it also guarantees that a greater increase in labor productivity will accompany the higher wage payments. At the Mei-t'an Pa Mine No. 6, average productivity in July was 21.47 percent higher than that of last year when the old piece-work wage system prevailed. The share of wages in the cost of coal per ton dropped by 4 percent, the average wage paid amounted to only 99.52 percent of what it was under the old system. That is due to the fact that under the piece-work incentive award system, workers are not paid 100 percent for the portion in excess of their assigned production norm; there is a limit to the payment.

III. Concrete measures.

The concrete measures adopted are not uniform among the units trying out the piece-work incentive award system. Therefore results also vary. These reaping more notable

results are: the Mei-t'an Pa Coal Mine, the Hsiang-t'an Steel Company, the Ma-t'ien Coal Mine, the Tin Mining Company, the Ju-ch'eng Tungsten Mine, the Hsiang-t'an Manganese Mine. The experience of various units has indicated that attention must be paid to the following problems in implementing the system:

(1) It is necessary to strengthen control over the work quota. As the piece-work incentive award system is based on assigned quota, whether a quota is too high or too low directly affects the incentive results. The quota should be fixed at a level corresponding to what can be attained by a majority of workers after energetic exertion. Therefore old quotas must be readjusted. Quotas must be suitably simplified so as to facilitate the coordination between control and the development of work categories. However, over-simplification of quotas and the grouping of work categories that could hardly be combined should be avoided. The formulation and readjustment of quotas must be based in general on available statistical data and complete reliance upon the masses. We must adopt the "union of the three elements" (leadership cadres of the enterprise, the technical cadres, and the workers). Quotas must not be revised too often. In principle, once every half year to a year is appropriate.

(2) The criteria for award should include besides quantity, quality, safety, and economy in the use of raw material. Moreover, concrete demands should be imposed whenever feasible. In case of gross deficiencies in quality, safety, or a serious waste of raw material, award may be withheld or cut. However, it would not be appropriate to express the four criteria in terms of separate percentages, otherwise workers might pursue the one that are more easily attainable at the expense of the others. At the same time targets that are relatively large in scope, whose fulfillment does not depend entirely upon the efforts of the workers, such as cost reductions for the enterprise, should not be included in the evaluation for awards. Also targets must not be too numerous for they will only confuse the workers.

When a production team or group evaluates its individual members for the distribution of awards, the following aspects should be taken into consideration: (a) production record, (b) work attitude, (c) ideological (political) manifestation and cooperative attitude, (d) technical improvements, (e) economy of raw material and safety, (f) attendance rate.

Teams which fail to make the quota must not distribute subsidies equally to its members. They must be evaluated also. Subsidies may be withheld from persons whose deficiencies are serious and whose irresponsibility gravely affects the fulfillment of the production task.

(3) The principles governing awards and subsidies must be firmly maintained. Experience shows that the practice of guaranteeing basic wage to workers who fail to reach their assigned norms is undesirable as it does not provide incentive. Furthermore the ratio between award and subsidy must be assigned properly. The subsidy rate must be smaller than the award rate. Only then the advanced workers will be stimulated to encourage and guide the backward toward harder work. Under present circumstances awards should amount to 70-80 percent of straight piece-work pay while subsidies should amount to 30 - 40 percent of the same; the latter should not exceed 50 percent at the maximum.

(4) Various production control systems must be established and strengthened such as technical work regulations, special inspection, mechanical power check up and repair, inventory, control for materials, finished products, semi-finished products, re-processed goods and tools, basic record keeping, etc. Special attention should be paid to establish a basic record keeping and statistics system for they provide the principal tool in judging whether a quota has been fulfilled. Not only an enterprise must provide special personnel to keep records, it must adopt measures (such as making shifts in worker training) to help workers to be familiar with this type of work so that they may take part in quota control.

On the basis of the experimental results obtained from the past six months, we may state with conviction that the piece-work incentive award system is consistent with the Party's principle of combining political command with material incentive. It is one of the better wage system readily accepted by the masses. This system is practical for production units or work categories where a heavy proportion of manual labor is required or where simple items are produced. The production units that are highly mechanized turn out complex products or units that produce articles in small quantities involving non-uniform technique but a high degree of precision, it is difficult to prescribe accurately work quotas or to exercise control. There, the comprehensive incentive system should be adopted.

We have gained only preliminary experience in the practice of the piece-work incentive award system. Further systematic summing up of results obtained in future application will be necessary so that the system may be continuously perfected. In addition we must strengthen the Party's ideological work, and the administration of the enterprises, so as to curb any tendency toward regarding the new system as "omnicompetent."

WAGE AND AWARD SYSTEM FOR PROMOTING QUALITY AND
QUANTITY IN PRODUCTION

The following is a full translation of an article based on the material of the Municipal Labor Bureau of Hangchow and the article sent by Comrade Chen Wang-hui of the Hangchow Textile Industry Bureau. It appears in Lao-tung (Labor), No 23, Peiping, 3 December 1959, pages 27-28.

Owing to the extension of the workers' "k'an-t'ai" [watch stand], the increase in the speed of the machines and greater number of shifts, during the great leap forward in 1958, production norm of the various silk textile mills in Hangchow were continuously over-fulfilled. Wages rose rapidly. The workers, with their greatly elevated communist awareness, demanded the abolition of the piece-work wage system. Provisional measures were introduced: wages were paid on the basis of the average or standard wage level. These measures were proper and necessary under the then existing circumstances. They were instrumental in promoting a big leap forward in production, in strengthening the solidarity between workers paid on hourly basis and those paid on piece-work basis. They also prevented excessive expenditures of its wage fund.

However, after this form of wage payment was introduced, workers in mills with more "watch stands" received less pay than those in mills with fewer "watch stands." Workers producing "kao-tang" (better quality) textile products received less pay than those producing low grade products. Moreover, when the pay is fixed according to the average regardless of quality and quantity, and when workers receive different compensations for the same work, their positive attitude towards production is to a certain extent adversely affected. After continued studies by the municipal leadership and repeated consultations with the workers to restore the old piece-work wage system, it was considered inadvisable. It is not suitable to the new situation where the "watch stand" is constantly expanded, machine speed constantly increased and production continues to leap forward. It does not meet the requirement for constant increases in the kind of goods produced and quality improvement. Moreover, it does not meet the workers' wishes.

On the other hand, the original piece-work wage system does contribute to the implementation of the principle "distribution according to labor" as it prescribes the wage standard according to the complexity of the textile products, the number of "watch stands," and quantity produced. Moreover, the pay varies with changes in the product, the "watch stand" and output. Therefore it is not advisable to discard altogether the original piece-work wage system. The best method would be to consider the special characteristics of the silk textile industry and devise a new wage system which incorporates the rational features of the old piece-work wage system as well as the benefits of the "hourly wage" system. This new wage system must, on the one hand, manifest the principle of "distribution according to labor" and "more work, more gain," and on the other hand, stimulate production and improvement in quality. Moreover, it must provide the incentive for the workers to strive for unusual production records and elevate their intellectual awareness.

It was in line with the above spirit that the Municipal Labor Bureau and the Municipal Textile Industry Bureau made a joint study and formulated the "Wage and Award System for Promoting Quality and Quantity in Production." The basic features of the system are as follows: it retains the differentiated wage standards of the original piece-work wage system where pay is fixed in accordance with the complexity of the product and the number of "watch stands." It takes into consideration the advancement in the capacity of the "watch stands" in the past few years and revises the standard of the "watch stands," and the classification of textile products. It also considers the quality achieved by the workers' fulfillment of the production norms. On this basis, two wage classes are added above and two below the original wage standard, making a total of five classes. The pay difference between each class is two yuan.

Wages are divided into classes: workers who exceed both production norms in quality and quantity receive first class pay, those who exceed the norm in one but merely fulfill the other receive second class pay, those who fulfill both norms receive the third class pay, those who fulfill one norm but fail in the other receive fourth class pay, and those who fail to fulfill either receive fifth class pay.

For instance, the original wage standard for a

worker on the "Beautiful Silk" weaving machine was 68 yuan. On the basis of the degree of fulfillment in both quality and quantity production norms, the new wage standard is divided into the five classes: 72 yuan, 70 yuan, 68 yuan, 66 yuan, and 64 yuan. Those who excel both in quality and quantity, who achieve economy and technical improvement, and who are satisfactory in political orientation are given additional awards each month.

In August this year, we tried out the new system in the Tu-ching-sheng and Ching-feng Silk Textile Mills. The results obtained are as follows:

(1) The system has stimulated the workers' positive attitude towards production and raised labor productivity. Following the implementation of the new system in September in the Ching-feng Silk Textile Mill, unit output of the mill increased by 4.3 percent over that of August. The average per unit output of "Mai-lang" silk surpassed that of the Piao-ping Mill which produces the same silk in that city. It also reached the highest level since the opening of the mill. Miss Chang Lai-pao, who often failed to fulfill her norm in the past, over-fulfilled it in September. Miss Chang's norm per unit output was 1.94 meter in August; she reached only 1.87 meter. Her quality norm was 27 deduction points. Her actual deduction was 61 points. In September, the quota for per unit output was 1.94 meter but she reached 1.959 meter. The quality quota was 37 deduction points but she had no deductions.

Some workers consider this system a "great improvement" over the former piece-work system. Some said: "The new system is clear, simple and flexible. The five classes are like five hooks. You can take your choice."

(2) The system has increased the sense of responsibility on the part of the workers towards the fulfillment of work plans. It has solved the problem of quality and quantity of output which was not solved for a long time under the piece-work wage system. Thus, it has contributed to the extension of the movement to attain quality, quantity, and economy. In the Chin-feng Silk Textile Mill, those who had to destroy their inferior output numbered 38 in August. In September, there were 55. Many workers said: "Under the past piece-work wage system, wage depended upon the volume of output."

Some workers were concerned with only quantity but not quality. The new wage system emphasizes both quality and quantity; it can assure a leap forward in both."

(3) The system does away with the complicated work of fixing and revising norms under the piece-work wage system. It overcomes the irrational phenomenon of increasing wages automatically with production increases under the unlimited piece-work system. It insures the rational disbursement of the state's wage fund. As far as the workers are concerned, there is no sudden, wide, fluctuations in income. Moreover, exerting themselves and by over-fulfilling the production norms, they can get further awards. Thus they are all satisfied. To them, this is a system that is "good for both the enterprise and the individual."

(4) The system raises the standard of enterprise control. In order to meet the requirements of the new wage system, both mills have, upon their workers' request, strengthened control over the work plan, readjusted and strengthened the system of keeping record and statistics, set up uniform product quality and quantity inspection standards, and improved the work of inspection and repair of mechanical equipment. All these help to improve the control work of the enterprise.

As the system has just been started, there are still some problems that require study and improvement, such as: correct planning of the enterprises' targets so that the plan could be both substantial and advanced; strengthening the quality and quantity inspection systems, and keeping of records and statistics, etc.