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INTELLIGENCE MEMORANDUM

LABOR REFORMS IN THE EUROPEAN SATELLITES

CIA/RR IM-447

21 February 1957

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LABOR REFORMS IN THE EUROPEAN SATELLITES*

1956

Summary

During 1956 the governments of the European Satellites** took action on an unprecedented scale with respect to the economic welfare and working conditions of the industrial labor force. These actions were motivated in part by the necessity for devising ways to increase labor productivity and in part by the need to placate a restless populace. Although the particular measures taken differed widely in scope and content among the six countries, the net result in each country was an improvement in the lot of the industrial worker. The net effect on productivity cannot yet be determined.

Labor laws and practices in the Satellites are patterned after those of the USSR. Liberalizing measures in the labor field taken by the USSR during 1956 undoubtedly stimulated Satellite actions along the same lines. In addition to the Soviet example, however, the particular pattern of reform adopted in each Satellite was influenced by its own reaction to the Soviet repudiation of Stalin, by developments in other Satellites, and by its own complex of events, including the extent of worker unrest. Reacting to internal repercussions of the Hungarian uprising late in the year, for example, East Germany increased pensions and public-assistance benefits, Czechoslovakia reduced prices, and Rumania raised wages and pensions. Bulgaria announced increases in wages, pensions, and family allowances to take effect in 1957, and East Germany moved forward its scheduled reduction in the workweek.

Four of the 6 Satellites cut the regularly scheduled workweek from 48 hours to 46 hours or fewer. In Bulgaria and Czechoslovakia a general 46-hour workweek was established, whereas in Hungary and Rumania the reductions applied only to designated industries.

* The estimates and conclusions contained in this memorandum represent the best judgment of ORR as of 1 January 1957.

** The term European Satellites as used in this memorandum includes six countries -- Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania.

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Although East Germany and Poland did not reduce the length of the workweek during 1956, they have indicated an intention to do so during their current Five Year Plan periods.

Each of the six Satellites took action of one kind or another to raise wages of various categories of workers and to adjust work norms. Four countries -- East Germany, Hungary, Poland, and Rumania -- made general, across-the-board increases in basic minimum rates, thus giving substantial wage increases to the lowest paid workers. In Bulgaria, wage increases were few, and they benefited an insignificant number of workers. In the other Satellites, however, wage adjustments were made for a variety of industries and occupations, and they affected substantial proportions of the industrial labor forces. Poland, for example, increased the wages of about 4 million industrial workers, nearly two-thirds of all nonagricultural employees. Increased work norms in some industries, however -- particularly in East Germany -- negated the beneficial effect of these wage adjustments on workers' total earnings. All of these countries have announced plans for further wage and work-norm reforms during the next few years.

All of the Satellites improved their social-security systems, which provide temporary disability benefits, family allowances, and pensions. All of the countries except Hungary effected substantial increases in old age, disability, and survivors' pensions by establishing higher minimum pensions for each category. Hungary improved temporary disability benefits somewhat. A comprehensive revision of the entire social insurance program was scheduled to become effective in Czechoslovakia on 1 January 1957, and Poland planned to raise family allowances on that date.

Most of the Satellites took steps to liberalize the existing, highly restrictive laws governing absenteeism, job changing, and other forms of labor discipline. Only East Germany and Czechoslovakia took no action in this field. Rumania repealed laws which had permitted compulsory transfer of workers on government order and which had prohibited voluntary leaving by the worker. Poland and Hungary abolished criminal penalties for absenteeism and other infractions of labor discipline. Several of the countries are engaged in comprehensive revisions of their criminal and labor codes.

Along with these concrete reforms, there were moves in several of the Satellites to give workers and the trade unions a greater voice in economic decision making. These moves are part of a general

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drive to decentralize economic management -- particularly in Czechoslovakia, Poland, and Hungary. In Poland and Hungary, steps have been taken to establish in industrial enterprises workers' councils which are patterned after those in Yugoslavia. Although these councils are to be delegated broad managerial powers, they are to operate within the framework of over-all central planning. It is doubtful whether these councils can be effective managerial bodies, but their existence may affect worker morale favorably.

1. Introduction.

In 1956, all of the European Satellites except Bulgaria embarked on new Five Year Plans which again called for substantial increases in labor productivity and promised improved living conditions for the workers.* Increases in industrial productivity which are planned to be achieved by 1960 range from 35 percent in Poland to 50 percent in East Germany. Real wages are scheduled to rise by 30 percent in Poland, Czechoslovakia, East Germany, and Rumania and by 25 percent in Hungary. In addition to planned increases in capital equipment and advancements in technology, the Satellites hope to achieve their productivity goals by providing workers with various incentives to increase production and reduce waste. Each of the countries took measures along these lines during 1956, although their actions differed widely in scope and content.

Strong impetus for liberalizing labor laws in the Satellites was provided by events in the USSR, where labor laws and practices have served as models for the Satellites since the inception of Communist regimes in these countries. At the XXth Party Congress held in February 1956, Soviet leaders indicated their intention to improve the lot of the worker and to provide incentives for increased productivity. Following up these intentions, the USSR embarked during 1956 on a large-scale reform of the wage system; reduced working hours, improved pensions, and repealed some of the more onerous laws governing labor discipline.

* For a chronological record of labor developments in the Satellites, see Appendix A.

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The actions taken by the Satellites in the labor field during 1956 were influenced not only by Soviet examples, but also by diverse reactions to the Soviet repudiation of Stalin and by the particular circumstances prevailing in each country. Unlike the USSR, the Satellites had to recognize the existence of widespread popular unrest. Worker protests and strikes were reported in all six countries during 1956, with discontent over economic and political conditions culminating in the Poznan riots in Poland during the last week in June and in the rebellion and general strikes in Hungary during October and November. In Poland and Bulgaria, unemployment became a serious problem during 1956, forcing the governments to adopt special measures to create jobs.

2. Reduction in the Workweek.

Following the example set by the USSR, all six Satellites either took steps to shorten the workweek during 1956 or indicated their intentions to do so during their current Five Year Plan periods. Bulgaria, on 29 April, 1/* and Czechoslovakia, on 1 October, 2/ cut the regularly scheduled workweek from 48 to 46 hours by reducing the number of Saturday hours from 8 to 6, an action which was taken by the USSR on 10 March. These general reductions in hours were supposed to be accomplished without reduction in workers' earnings. To maintain their earnings, however, pieceworkers, who constitute the overwhelming majority of workers, would have to produce the same amount in 46 hours that they formerly produced in 48, since piece rates were not changed. Czechoslovakia also fixed a 36-hour workweek for workers aged 16 to 18 years, effective 1 October, in line with a similar move by the USSR, effective 1 July. Hungary and Rumania, although not instituting a general reduction in hours, cut substantially the hours of employees who are engaged in hazardous and unpleasant work.

According to a decree of the Hungarian Council of Ministers, working hours in designated branches of the chemical, electrical, metallurgical, and machine industries were to be reduced gradually to 42, 40, or 36 hours per week, beginning on 1 June. 3/ A decree of 31 May promulgated by the government in Rumania established a workday of 7 hours or less for a wide variety of jobs generally considered to be dangerous or unhealthy. 4/ Neither Poland nor East Germany made general cuts in working hours in 1956.

* For serially numbered source references, see Appendix C.

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Except for Bulgaria and Rumania, the Satellite governments indicated their intention to bring about major reductions in the workweek by 1960, which is the end of the current Five Year Plan periods. The 1956-60 Plan directives for Czechoslovakia call for the gradual introduction of the 7-hour workday throughout industry during the last half of the plan period. ^{5/} In a report to the 20th Plenum of the Communist Party Central Committee in East Germany, Walter Ulbricht set forth the Politburo recommendation that steps be taken to cut the industrial workweek from 48 to 45 hours in 1957 and to 40 or 42 hours by 1960. ^{6/} In a speech of 2 November, following the events in Poland and Hungary, Ulbricht intimated that the shift to a 45-hour workweek would be started in 1956 in certain industries. ^{7/} Subsequently, the East German government announced that the shift to a 45-hour workweek would be carried out piecemeal beginning on 1 January 1957. ^{8/} In Hungary, according to the directives of the Five Year Plan, transition to the 7-hour workday and 42-hour workweek is to proceed gradually during the period from 1956 through 1960 but will not be completed until some time during the following Five Year Plan period. ^{9/} By 1960, however, the present 48-hour workweek in Hungary is to be reduced to a 46-hour workweek. In Poland the 46-hour workweek has apparently been in effect for some years. Plan goals call for a gradual reduction in hours by 1960 "in certain branches of the economy," indicating that "this should apply first of all to the working hours of young people." ^{10/} Implementation of these plans for shortening working hours is made contingent upon commensurate increases in labor productivity. The current Five Year Plans call for increases in industrial labor productivity of from 35 to 50 percent, based on currently scheduled workweeks. If the workweeks are reduced as planned, even greater productivity gains must be achieved in order to fulfill output goals. The only alternative to increased productivity, if production goals are to be met, would be an expansion of the industrial labor force greater than planned.

3. Adjustment of Wages and Work Norms.

Each of the six Satellites took some action in 1956 to raise wages of various groups of workers and to adjust work norms, but the nature and the extent of such actions differed markedly among the countries. In Bulgaria, wage increases were few and affected an insignificant percentage of workers, whereas in the other countries, particularly Poland and Hungary, wage adjustments were made for a variety of occupations and benefited a substantial proportion of the industrial labor force. All countries also made price reductions on a wide variety of consumer goods.

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Four countries -- East Germany, Hungary, Poland, and Rumania -- made general across-the-board increases in basic minimum rates, thus giving substantial wage increases to low-paid workers.

With the exception of increases in salaries for a few professional categories, Bulgaria made no wage adjustments but raised work norms, at least in heavy industry and probably also in light industry. 11/ Indeed, the Bulgarian government specifically denied rumors that wage increases would take place during 1956. 12/

Until 30 October 1956, Rumania had announced wage increases for only one group of employees, teachers in elementary and secondary schools, 13/ the increases to take effect on 1 April. On 30 October the government announced that, as of 1 November, "average minimum earnings" were to be stabilized at from 350 to 400 lei per month, varying with industry. 14/ Since the decision is to result in immediate increases for low-paid workers, the ambiguous phraseology of the decree probably means that these amounts will represent basic legal minimum wages. Along with announcement of the decision, the government also stated that "improvements were made in the wage system" during 1956 for workers in the chemical, oil-drilling, and geological exploitation industries; wood, electric power, and railroad industries; commerce and "part of the engineering, technical and administrative personnel; and other categories." 15/ The belated announcements with respect to compensation adjustments for these groups of employees raise the question as to whether the indicated "improvements in the wage system" actually resulted in any significant wage increases.

Acting on a Party Central Committee decision of 30 March, the government of Czechoslovakia carried through during 1956 a gradual program of improvement in the wage structure. 16/ Effective 1 April, special bonuses for timely completion of certain kinds of construction projects were introduced, 17/ and, effective 1 June, new wages and norms were put into effect in the building industry. 18/ New job classifications and salary structures were announced in July for employees of scientific research institutes. 19/ Wages for underground auxiliary workers in the mining industry were increased on 1 May 20/; a new wage scale went into effect in the printing industry on 1 July 21/; and the salaries of teachers, doctors, and other professions were adjusted, effective 1 September. 22/ Finally, on 6 October the government approved a series of regulations providing for "improvement and simplification" of the salary structure for civil

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servants. 23/ In April the government announced that important revisions would be made in the wage system for communications workers, but there has been as yet no indication that these revisions have actually taken effect. 24/

During 1956, East Germany, although conducting a concerted drive to raise work norms, did increase the wages of workers in a few occupations and did adjust the entire wage structure in such a way as to raise substantially the wages of the lowest paid workers. A decree effective 1 January provided for the payment of percentage bonuses to certain categories of engineering-technical employees who remain on the same job for 2 years or more. 25/ During June, wage increases ranging as high as 30 percent were granted to employees of railroads, motor transport enterprises, local public transport enterprises, and postal service. Nurses and certain other auxiliary medical personnel also received increases. These increases, benefiting "several hundred thousand employees," 26/ allegedly were given to compensate such employees for their inability to earn production bonuses like most industrial workers. They may also have been granted in an attempt to relieve critical manpower shortages in transport and medical services. 27/ On 14 September the East German government announced the abolition of area wage categories "C" and "D"* in all wage schedules throughout the country. The effect of this action was to narrow geographical wage differentials and give immediate increases to nearly a million low-paid employees, mainly in such industries as timber, food, commerce, postal and telecommunications, and transport. Teachers, public health workers, and civil-service employees in rural areas and small towns also were affected. These increases benefited about one-sixth of the total nonagricultural labor force and will add some 250 million East German marks (DME) to the total annual wage bill. 28/

In support of its imperative requirements for productivity increases, East Germany carried on during 1956 a concerted drive to increase work norms by establishing so-called "technically based" norms on an industry-by-industry and plant-by-plant basis. On 1 January 1956, new norms were put into effect in the hard-coal industry, 29/ followed shortly by similar action in various enterprises of the uranium, brown coal, and potash industries. 30/ By the middle of the year, higher norms and job reclassifications had

* In East Germany, wages vary according to area. The categories run from A through D, with A being the most highly paid.

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been extended to selected enterprises in construction, machine building, steel, rubber, and textile industries. 31/ Although the decreases in earnings resulting from the new norms produced widespread worker dissatisfaction and high labor turnover,* strikes and open protests were few. Nevertheless, awareness of the workers' attitude forced the regime to cancel some of its plans to extend the work-norm revision program 33/ and also to publish statements admitting that some norms had been set "wrongly" and had resulted in "unjustified" wage decreases. 34/

Beginning in May and proceeding at an accelerated pace until October, ** the Hungarian government decreed wage increases for workers in the coal mining industry, 35/ the construction and building materials industry, 36/ theatres, 37/ oil extraction activities, 38/ railroads and the postal service, 39/ research workers and teachers in schools and research institutes, 40/ state farms, 41/ and the food industry. 42/ In addition to these piecemeal wage adjustments, Hungary also established a basic minimum wage of 650 forints per month for most categories of workers, effective 1 June. 43/ It is reported that roughly 100,000 workers (about 4 percent of the nonagricultural labor force) benefited from this action. 44/ The government also claims that wage "settlements" were made during the year for workers in the electric power and chemical industries and that foremen's wages were "improved," 45/ but dates and details of these actions are not indicated. The government stated in May that wage increases planned for 1956 would raise the total annual wage bill by 800 million forints. 46/ On 10 November the Kadar government approved a general wage increase averaging 10 percent, to be put into effect not later than 1 January 1957. 47/ Subsequently, additional wage increases and abolition of the system of work norms were ordered for miners. 48/

From February to November 1956 the government of Poland instituted a number of wage adjustments throughout the economy, allegedly benefiting over 4 million workers (about two-thirds of the total nonagricultural labor force) and increasing the annual wage bill by about 8.6 billion zlotys. 49/ Wage increases were granted to workers engaged in a wide variety of activities, as follows: municipal sanitation employees 50/;

* Labor turnover apparently reached phenomenal proportions during the spring of 1956. According to the East German Minister of Labor and Social Welfare, labor turnover in mining and building construction was 66 percent annually. 32/

** For specific dates of increases, see Appendix A.

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mechanical maintenance workers and craftsmen in various economic ministries 51/; civil-service employees and field workers on state farms 52/; retail trade employees 53/; workers in coal mining and food industries 54/; and administrative workers in state institutes and local governments, as well as workers in construction, communications, forestry, pharmacies, courts, and the public health service 55/; workers in entertainment and the arts 56/; employees of elementary and secondary schools, universities, and scientific research institutes 57/; and workers in motor transport. 58/ In addition to these wage adjustments, the government established a basic minimum wage of 500 zlotys per month effective 1 May. 59/ In Poland, unlike East Germany, there was apparently no concerted drive to raise work norms during 1956, although a radiobroadcast of 4 October stressed the urgent need to replace obsolete norms with new ones that would reflect changes in technology. 60/

4. Planned Wage Reforms.

Except for East Germany, all of the Satellites have indicated, either in the Five Year Plan directives* or in statements of government leaders, their intention to proceed with reformations of their general employee compensation systems to correct a variety of admittedly serious defects. At the same time, according to the Five Year Plan directives, real wages are to increase by 25 percent in Hungary and by 30 percent (as in the USSR) in Czechoslovakia, East Germany, Poland, and Rumania. In general, these increases are to be achieved in part through price reductions and in part through increases in money wages. In view of the planned wage reforms, however, it is probable that increases in money wages will contribute a larger share to the planned increase in real wages for 1956-60 than has been true heretofore.

According to an official Bulgarian statement in June 1956, the only wage revisions contemplated for 1957 were increases for low-paid workers in the textile, food, and tobacco industries. Real wage increases were to be achieved through price reductions. 61/ On 4 December, however, the government issued a decree providing for a large-scale wage reform to take effect in 1957 and 1958. 62/ The decree provides for the following: (a) establishment of a basic minimum wage of 400 leva per month; (b) wage increases ranging from 5 to 27 percent, effective

* Bulgaria is currently operating under a Five Year Plan which terminates in 1957; the current Five Year Plans of the other Satellites terminate in 1960.

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1 April 1957, to wage and salary workers earning less than 550 leva per month; (c) new wage scales and norms, to yield additional increases of 10 to 18 percent in designated low-wage industries, effective 15 May 1957; and (d) submission of proposals concerning the adoption of new wages and norms in other industries starting in 1958.

In Rumania, although the Five Year Plan specifies that the planned increase in real wages is to come mainly from price reduction, the government announced on 30 October that a fundamental revision of the entire wage structure was being planned for 1957. 63/ On the basis of plans to be completed by 31 December 1956, the "improved" wage system is to be introduced in a few plants on an experimental basis during the first quarter of 1957 and gradually extended thereafter to all other plants. The stated objective of the new system is to improve productivity by providing workers and managerial personnel with more direct material incentives for increasing output and lowering costs. In addition, beginning on 1 January 1957, salaries of administrative and technical personnel in various branches of the economy are to be gradually increased.

According to the Five Year Plan directives, production per worker in East Germany is to increase by 50 percent by 1960, and 90 percent of the planned increase in industrial output is to be achieved through increased productivity. 64/ Unlike other Satellites, East Germany has not indicated plans to increase money wages or to revise its wage system. Apparently, however, the current drive for the gradual extension of "technically based" (that is, higher) work norms is to continue.

According to the plan directives approved in April, Hungary intends to achieve the planned increase in real wages through a combination of money wage increases and price decreases. 65/ In addition, the wage system is to be gradually improved by the correction of improper wage differentials between industries and occupations. On 20 October the then head of the Hungarian National Planning Office stated that an increase of at least 7 percent in wages and salaries was planned for 1957. 66/

The press in Czechoslovakia devoted much space during 1956 to discussions of the defects of the existing wage and salary system, claiming that these shortcomings are responsible in part for maldistribution of the labor force, excessive labor turnover, and low productivity. 67/ The Five Year Plan directives call for a complete overhaul

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of the wage structure with the following objectives: (a) to raise base (tariff) rates substantially and to increase their relative importance in workers' total earnings, (b) to revise the complex system of bonuses and premiums to increase their incentive features, (c) to create more equitable wage differentials between industries and occupations to promote labor allocation objectives, and (d) to increase work norms by replacing obsolete norms with norms that reflect improved technology and work methods. 68/ These over-all objectives are essentially the same as those of the scheduled wage reform to take place in the USSR during the Sixth Five Year Plan (1956-60).

In Poland the Five Year Plan directives issued in August called for the planned rise in real earnings to be accomplished through wage increases and price reductions on "certain consumer goods." 69/ The pay differentials between industries and occupations were to be reexamined, and raises were to be granted to lower paid groups. At the same time the government announced a program of emergency measures to be taken during 1956-57 for the purpose of alleviating the most serious grievances of the workers -- grievances that became clear as a result of the Poznan riots in June. This program called for further implementation of planned wage increases; work norm revisions to be effected only if earnings will not be reduced; an increase in the enterprise directors' funds, which are used in part to reward meritorious workers; and the gradual introduction of a new bonus system for technical and managerial employees to increase the incentive for efficient operation of enterprises. 70/ In October, in a speech to the Eighth Plenum of the Communist Party, Gomulka stated, however, that no "serious" wage increases were planned for 1957. 71/ A subsequent decision of the Plenum noted that, because of the dangers of inflation, wage increases in 1957 would have to be limited to workers in the mining industry (probably in the hope of alleviating the critical manpower shortage there) and to "very small groups in other branches of the economy." 72/ The government announced, however, that income tax reductions of 30 percent, affecting 2 million workers, would take effect on 1 January 1957. 73/

5. Social Security and Pensions.

The Satellites have comprehensive systems of social welfare benefits, patterned more or less after the USSR. The benefits include medical and hospital care; sickness and accident compensation; family allowances; and old age, disability, and survivors' pensions.

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During 1956, each of the six Satellites improved these programs in various ways, paralleling action by the USSR, which increased paid maternity leave and pensions in 1956.

Effective 1 August, Bulgaria established minimum monthly pensions ranging from 140 to 300 leva for various categories of pensioners. 74/ It is reported that this measure benefited 40 percent of all pensioners. 75/ The government has also stated its intention to exempt all pensions from taxation and to prepare a new draft law on pensions by the end of the year. On 23 November the government announced that as of 1 January 1957 family allowances are to be raised and pensions are to be established for members of producers' cooperatives. 76/ In Rumania, old age, disability, and survivors' pensions were introduced in September for persons not qualifying for benefits under the established social insurance system. 77/ Effective 1 December, the minimum pensions for all categories of pensioners were increased to amounts ranging from 180 to 300 leva per month, varying with geographic area and pension category. 78/ Paid maternity leave was increased, and family allowances were raised substantially, effective 1 November. 79/

In East Germany the established insurance system was extended in March to peasants, artisans, and the self-employed not previously covered. 80/ The East German Five Year Plan calls for a major pension reform to be completed by 1960, and a special commission of the Communist Party Central Committee was set up to study the pension problem. On 3 November (closely following the events in Poland and Hungary), Party Secretary Ulbricht announced that this commission would submit "shortly" a proposal to increase old age pensions. 81/ On 16 November the East German parliament approved the proposal to raise all pension and public assistance payments as of 1 December and to undertake a major revision of the old age pension system during 1957. 82/

In a decree which apparently took effect on 1 January 1956, the Hungarian government made a few small improvements in its health insurance program 83/ but otherwise took no action in the area of social insurance. Before the October rebellion, however, a Party leader stated that the National Assembly was scheduled to discuss a proposal to increase the pensions for about 100,000 persons. 84/ Radical improvement in pensions and family allowances was in a list of demands made by the Presidium of the Central Council of Trade Unions on 26 October, shortly after the outbreak of the rebellion. 85/

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Effective 1 December, Czechoslovakia increased substantially the benefits of all categories of pensioners by establishing higher minimum pensions; this measure will affect 400,000 persons. 86/ In addition, the government has approved a major revision of the entire social insurance program to take effect on 1 January 1957. The revision will result in considerable increases in all types of social security benefits -- pensions, sickness and accident benefits, and family allowances. 87/ These benefits will add about 1 billion crowns to the total cost of social security, estimated to be more than 12 billion crowns in 1955. 88/ In Poland a major improvement in the pension system took effect as of 1 July. The new provisions established higher minimum pensions, benefiting nearly one-third of all pensioners. 89/ In addition, changes were made in the methods of computing pensions, resulting in substantial increases for additional pensioners. Finally, increased family allowances for families with low incomes and four or more children, to take effect on 1 January 1957, were included in the Communist Party's program of emergency measures to be adopted in 1956-57 to alleviate the most serious grievances of the populace. 90/

6. Easing of Labor Discipline Laws.

In the European Satellites the laws governing labor discipline are closely patterned after those of the USSR. 91/ These restrictive laws are designed to cope with problems of high labor turnover, absenteeism, and manpower allocation, which have plagued the regimes for several years. Although the laws differ somewhat among the six countries, in general they contain the following provisions: (a) employees must possess workbooks, which provide a continuous record of their job history and performance and without which they cannot legally be employed; (b) employees may not change jobs without their employer's permission; (c) severe penalties, criminal punishment in some cases, are provided for unjustified absenteeism; (d) graduates of universities, technical schools, and labor reserve schools are subject to compulsory work assignments for specified periods and to compulsory transfer at the behest of the government.

On 8 May 1956 the USSR announced the repeal of various laws that had provided criminal penalties for absenteeism and unauthorized job changing and had permitted compulsory transfer of certain categories of skilled workers by government order. Following this example, most of the Satellites took various steps during 1956 to liberalize the regulations governing labor discipline.

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On 1 November the National Assembly of Bulgaria, as part of a general revision of the penal code, abrogated existing statutes which had permitted imprisonment of persons refusing to accept jobs designated by the state. Rumania amended its labor code on 24 July to provide for abolition of compulsory job transfers; voluntary job changing by workers upon giving 12 days' notice; and limitation of responsibility for material damage to that for which the worker is directly responsible, rather than as before to that for which the brigade was responsible. 92/ In general the labor laws in East Germany are less harsh than those of other Satellites, and the regime did not amend these laws during 1956. Czechoslovakia made no changes in its laws governing labor discipline during 1956. The Central Council of Trade Unions has been given the task of drafting a labor code, however, and it is possible that recommendations for liberalization may result. 93/

In Hungary a decree of the Council of Ministers, announced on 30 June, modified the rules governing workbooks to provide that employees in the construction industry may be hired without presentation of a workbook for periods up to 3 months. 94/ A Council decree of 24 May removed certain "minor offenses," presumably infractions of labor discipline, from the category of criminal acts, and in the future such infractions are to be punished by monetary fines. 95/ Finally, new penal and labor codes are being drafted, and the Central Council of Trade Unions has recommended liberalization of the laws restricting voluntary changing of employment. 96/

Poland liberalized its labor laws considerably during 1956. On 25 January the government published a decree severely limiting the conditions under which enterprise managers can dismiss employees without notice. 97/ A regulation was issued on 25 May abolishing the practice of issuing confidential reports on workers when they changed employment. In the future these reports must be shown to the worker, who may appeal to the factory workers' council if he is dissatisfied. 98/ On 10 September the Polish parliament repealed a 1950 law "on the safeguarding of labor discipline," which imposed severe monetary and criminal penalties for unjustified absenteeism. 99/ Finally, it was announced on 9 November that the Ministry of Higher Education is planning to abolish the present system of "labor direction," under which university and technical school graduates are given obligatory job assignments for specified periods. 100/

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7. Worker Participation in Decision Making.

During the past several years the USSR has taken a number of steps to decentralize economic management, with a concomitant increase in the decision-making role played by workers and low-level managers. A trend toward less centralization was also evident in some of the Satellite states during 1956. Four countries -- Czechoslovakia, Hungary, Poland, and East Germany -- adopted measures to simplify and decentralize economic planning and management of individual enterprises.

At the same time, there has been agitation to give workers and their trade union representatives a greater voice in economic decision making. In response to voluminous press criticism that trade unions failed to represent workers' interests, the executive body of the East German trade union organization took action designed to strengthen the powers of factory committees and to enhance the unions' ability to represent workers in legal proceedings. 101/ Local units were also enjoined to exercise their "right" to a share in management. Somewhat similar actions were also taken by the Trade Union Council in Czechoslovakia, and, in addition, the Council proposed to the government that it be given greater rights of participation in the drafting and implementation of economic plans. 102/ Hungarian and Polish trade unions have gone even further. In September the Presidium of the Hungarian Trade Union Council adopted draft resolutions calling for trade union participation in economic planning and wage decisions at all managerial levels, with trade union bodies being given increased rights coordinate with the broader rights accorded managers under the decentralization program. 103/ In Poland the Central Trade Union Council drafted three measures for submission to the Sejm, providing for increased powers for local union organs, empowering union inspectors to impose fines on managers who violate labor laws, and widening the prerogatives of arbitration commissions. 104/ In addition, the Council called for a larger voice in policy decisions concerning "just division of the national income, on policy of wage structure and social contributions, housing, progress in the field of labor laws" 105/ A resolution subsequently adopted by the Council called for sweeping changes in trade union organization and functions with the aim of establishing "a trade union attitude completely independent of the state and economic administration, a broad foundation of the best traditions of the Polish class trade union movement before the war and in the first postwar years." 106/ Among other things the Council proposes to transfer to

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state organs such administrative functions as management of sanatoria and vacation resorts and administration of social insurance -- functions that are typically performed by trade unions in Communist countries.

Poland and Hungary have gone far beyond the USSR in taking steps which at least purport to give workers a more direct part in enterprise management. In July the Eighth Plenum of the Polish Communist Party passed a resolution calling for greater economic decentralization and increased worker participation in the management of individual factories. 107/ In accordance with this resolution and after much press discussion the Council of Ministers passed a draft resolution calling for the establishment of workers' councils in factories. 108/ As tentatively planned, these councils are to be elected by the employees and are to be fully responsible for management of the enterprise within the framework of over-all plans and regulations established centrally. Day-to-day management is to be exercised through an elected presidium, of which the enterprise director is an ex officio member. The council will have the right to appoint and dismiss the director and other administrative employees. The powers of the council are to include all those powers delegated to the enterprise in a companion draft resolution, including formulation and approval of the annual enterprise plan on the basis of centrally planned production goals for the firm, selection of the methods and techniques of production, fixing of product prices which are not established centrally, selection of methods of wage payment and distribution of the wage fund within planned limits, and distribution of factory profits on the basis of regulations not yet worked out.

On 13 November the Kadar government in Hungary issued a decree providing for setting up workers' councils, with duties and rights similar to those described for Poland. 109/ In view of the unsettled state of affairs in Hungary, it is not yet possible to say how this decree will be implemented.

In East Germany, too, Party leaders have recently made gestures in the direction of greater worker participation in decision making. In a speech of 3 November, Ulbricht stated: "The SED [Socialistische Einheitspartei Deutschlands] proposes that the workers be called upon to a greater extent to participate in the management of enterprises. To this end it will be necessary to create organizational forms enabling workers to cooperate with regard both to important production problems and other problems." 110/ Subsequently, the SED directed that workers' "committees" be set up in all state enterprises, with

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the right to "make observations" on such matters as the enterprise plan, the introduction of new technology, the use of enterprise capital funds, and plant organization. 111/ Disputes between the plant manager and the workers' committee are to be decided by the industrial ministry supervising the plant. The authority to be accorded these committees clearly is much narrower than that currently contemplated for the workers' councils in Hungary and Poland.

These moves toward so-called worker self-government are part of the trend toward "democratization" accompanying de-Stalinization in the Satellites, particularly in Poland. The regimes presumably believe that worker participation in management and in distribution of enterprise profits will provide greater incentive for increased productivity. The workers' councils scheduled to be established in Poland and Hungary are patterned after those of Yugoslavia. Judging from the experience of that country, it is probable that establishment of the councils in the Satellites may be little more than the creation of a semblance of worker participation in management without any real transfer of decision-making authority. In the first place, rank-and-file workers do not have the technical qualifications to manage an industrial enterprise, so that such responsibilities of necessity will have to be performed by the administrative and technical staff. Moreover, since the councils are to operate within the framework of central economic planning, they cannot control the basic factors that will determine the welfare of the enterprise and its employees -- production and investment goals, materials allocations, size of the labor force, and the total wage fund.

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APPENDIX A

CHRONOLOGICAL RECORD OF LABOR REFORMS IN THE EUROPEAN SATELLITES
DURING 1956

1. Bulgaria.

1 January	Increase in work norms in enterprises of the Ministry of Heavy Industry.
1 January	Increase in salaries of professional employees.
29 April	Reduction in workweek from 48 to 46 hours.
1 August	Increase in old age and disability pensions.
1 November	Liberalization of laws governing work assignments.
23 November	Announcement of increases in family allowances and pensions, effective 1 January 1957.
4 December	Promulgation of a decree providing for wage increases, to take effect in 1957.

2. Czechoslovakia.

1 April	Introduction of a new bonus system in the construction industry.
1 May	Increase in wages for underground auxiliary workers in the coal industry.
1 June	Increase in wages and norms in the building industry.
18 July	Revision of the salary structure for scientists and research workers.
1 July	Establishment of new wage scales in the printing industry.

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1 September	Revision of the salary structure for teachers, doctors, and other professions.
1 October	Reduction in the workweek from 48 to 46 hours.
6 October	Revision of the salary structure for civil service employees.
17 October	Approval of a liberalization of social insurance benefits, to take effect on 1 January 1957.

3. East Germany.

1 January	Increase in work norms in the coal industry.
4 January	Increase in pay for uninterrupted service by technical and professional employees.
June	Increases in wages for workers in railroad transport, local transport, the postal service, and medical services.
18 September	Increase in wages of low-paid workers.
20 November	Establishment of workers' committees in state enterprises.
1 December	Increases in pensions and public assistance payments.
2 December	Announcement of reduction in workweek, to take effect in 1957.

4. Hungary.

3 January	Improvements in temporary disability benefits.
22 May	Promulgation of a decree providing gradual reduction in hours for employees engaged in hazardous work.

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22 May	Abolition of criminal penalties for various infractions of labor discipline.
31 May	Revision of the wage system in the coal industry.
1 June	Establishment of a minimum wage of 650 forints per month.
7 June	Increases in wages and norms in the construction and construction materials industries.
16 June	Increase in salaries of theatrical performers.
30 June	Modification of rules governing use of workbooks.
1 July	Increase in wages of oilfield workers.
1 July	Introduction of a new bonus system in light industry.
1 August	Increases in wages of railroad and postal workers.
1 September	Increases in salaries of research workers, teachers, and workers in the food industry.
11 October	Increase in wages of state farm workers.
10 November	Announcement of wage increase for industrial workers.
13 November	A resolution authorizing establishment of workers' councils.
14 November	Increase in wages and reduction in workweek for miners.
5. <u>Poland.</u>	
25 January	Decree forbidding dismissal of workers without notice.

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1 February	Increase in wages of municipal sanitation workers.
22 March	Increase in wages of maintenance mechanics.
1 April	Increases in wages of government and state farm employees.
1 May	Increase in wages of coal miners.
1 May	Establishment of a minimum wage of 500 zlotys per month.
25 May	Abolition of confidential reporting on workers.
June	Increases in wages for workers in municipal enterprises, the health service, communications, forestry, pharmacies, and courts.
1 July	Improvement in pension provisions.
1 August	Increase in salaries of workers in the field of the arts.
1 September	Increases in salaries for elementary and secondary school teachers.
12 September	Abolition of criminal penalties for infraction of labor discipline.
1 October	Increases in salaries of university professors and research workers.
1 October	Increase in wages of transport workers.
October	Government resolution authorizing establishment of workers' councils.

6. Rumania.

1 April	Increase in salaries of school teachers.
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May	Increase in salaries of government employees.
31 May	Reduction in hours for employees engaged in hazardous work.
24 July	Relaxation of restrictions on employment transfers and increase in pregnancy leave.
29 September	Establishment of pensions for workers not eligible under social insurance system.
1 November	Establishment of minimum wages and increase in family allowances.
1 December	Increase in pensions.

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APPENDIX B

GAPS IN INTELLIGENCE

Most of the Satellites revised their wage systems in one way or another during 1956. Little information is available, however, on the extent to which these changes actually increased workers' incomes. Also, there is little information on the basis of which to assess the effect of the widespread reduction in the workweek on workers' total earnings. Finally, it would be desirable to have information, which should become available shortly, concerning the extent to which the general relaxation of stringent labor controls has succeeded in alleviating some of the chronic labor problems of the Satellites, such as absenteeism, high labor turnover, and low productivity.

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APPENDIX C

SOURCE REFERENCES

Evaluations, following the classification entry and designated "Eval.," have the following significance:

<u>Source of Information</u>	<u>Information</u>
Doc. - Documentary	1 - Confirmed by other sources
A - Completely reliable	2 - Probably true
B - Usually reliable	3 - Possibly true
C - Fairly reliable	4 - Doubtful
D - Not usually reliable	5 - Probably false
E - Not reliable	6 - Cannot be judged
F - Cannot be judged	

"Documentary" refers to original documents of foreign governments and organizations; copies or translations of such documents by a staff officer; or information extracted from such documents by a staff officer, all of which may carry the field evaluation "Documentary."

Evaluations not otherwise designated are those appearing on the cited document; those designated "RR" are by the author of this memorandum. No "RR" evaluation is given when the author agrees with the evaluation on the cited document.

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