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SOVIET ANTI-POVERTY
POLICY 1955-1975

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Abstract

The paper contains an assessment of Soviet policies toward the elimination or reduction of poverty in the USSR in the post-Stalin period. The Soviet approach to a definition of poverty is explained and estimates are provided of the number of individuals in different social groups with insufficient income at various dates. An attempt is made to describe the demographic and social characteristics of the poor and to relate these to the social security system developed under Stalin. Innovations in wage policy and social insurance provisions under Khrushchev are considered and the paper concludes with an analysis of the problems facing the Soviet authorities in 1967-68, of the solutions they have adopted, and the effects these policies have had on the incidence of poverty in the USSR.

Soviet Anti-poverty Policy 1955-1975

1. INTRODUCTION

Real wages in the Soviet Union were very little higher in 1952 than they had been in 1928, and there is reason to believe peasant living standards were lower than before the collectivisation of agriculture (Gordon et al. 1974, p. 59). But the death of Stalin was the signal for significant changes in many aspects of Soviet society. It is common in the west to associate the names of Malenkov and Khrushchev, if not with the introduction of 'goulash communism', then at least with a better deal for the ordinary Soviet citizen, rapid increases in money wages and incomes, an explosion in the supply of simpler consumer durables (e.g., watches, bicycles, cameras, sewing machines), as well as with a certain measure of political and cultural liberalisation. There is also evidence to suggest that, in the mid-fifties, the Soviet authorities became more concerned with questions of poverty and inequality in their society.

In this paper I attempt to assess the nature and extent of poverty in the Soviet Union in the decade or so after 1958, to describe the government's policies toward this problem, and to consider the impact of these policies. As I show, Soviet attempts to reduce income differentiation and alleviate poverty have not been altogether successful; the government has been hampered by ignorance and prejudice, by the rigidities of Soviet economic institutions, and by competing claims on scarce resources. But I believe that the experience of the last twenty years shows a

continuing commitment to improving the living standards of some of the worse-off members of the society; the authorities also now have a clearer idea of the issues and problems involved and of the policies necessary to solve them (even if these policies are not always acceptable).

In simple terms, the Soviet government has at its disposal two sets of instruments with which to influence the level of economic welfare and the distribution of income in the USSR: its control over wage- and salary-scales, and the social welfare system. It is possible to interpret changes in these areas since about 1955 as constituting an attempt to reduce the incidence of poverty. For the first ten or fifteen years the emphasis was on increasing both the minimum wage, and minimum average benefit levels provided under various social insurance programs. No attempt was made to modify criteria for entitlement or the formulae by which benefits were related to prior earnings. This policy phase certainly led to a reduction in the incidence of poverty among some social groups; but because there was no sociological or economic analysis of the causes of poverty, many families failed to benefit and much of the effort was dissipated on the relatively better-off.

As I attempt to show, accumulating evidence of persisting deprivation and a greater sociological sophistication forced a reexamination of policy principles after 1967-68. The results of this reassessment were politically unacceptable and only the economic stringency of the seventies has brought about some modification in the orientation of anti-poverty

policies. Those familiar with the development of such programmes in other countries may be struck by the similarity of these Soviet policy disputes to the ones that have taken place elsewhere.

The evidence of an increased concern for the welfare of ordinary Soviet families and of a desire to reduce income inequality in the USSR is indirect; it is implied by the government's actions rather than inferred from any explicit new policy commitment. In the first instance, increased interest in these questions was evinced by the collection of relevant statistical data and the authorisation of related empirical research.¹ At about this time, the family-budget survey programme was modified and extended. In 1956, wage censuses were reintroduced after a lapse of twenty years or so; they have been held every two or three years since that date. In 1958, the Soviet Statistical Administration organised its first sample survey of incomes, family composition, and housing conditions (this is the main source of data on income distribution and hence on poverty); similar surveys have been held in 1967 and 1972. There were also changes in the structure and content of economic plans designed to give greater prominence to indicators of consumer well-being. In any bureaucratic system the amount of information that can be collected, collated, and absorbed is limited; before the widespread use of electronic computers these limits were particularly tight. It is therefore unlikely that the Soviet government would have initiated the collection of this information unless it had acquired some policy relevance.

There are, however, more direct indications of a new policy toward personal incomes. In 1956-58, the NIIT, the research institute attached

to the State Committee on Labour and Wages (the Soviet equivalent of a Ministry of Labour), began its work on the definition of a poverty standard; the State Committee itself began to organise an extensive reform of pay-scales and payment systems, and the Soviet government introduced a new Statute on Pensions which codified previous practice, introduced substantial simplifications, and greatly raised the average level of benefits paid out. These measures applied directly only to state employees and their dependents, but developments in agricultural policy resulted in rapid increases in peasant earnings and incomes (see Sarkisyan and Kuznetsova 1967, pp. 8-18; Sotsialnaye...1972, pp. 179-340).²

These initiatives, and others in later years, have resulted in a significant increase in average living standards and in a reduction of income inequality (at least on some measures); but they do not necessarily constitute a concerted attack on the problem of poverty. A concept of 'the poverty line', a knowledge of the number of individuals or families with a standard of living below that level and information about their distinguishing characteristics, and theories about the cause of poverty are required to attack the problem of poverty. These seem to be the essential prerequisites for a rational anti-poverty programme, and I believe that they were not available to the Soviet government until after 1965-67.

2. THE SOVIET DEFINITION OF POVERTY

The Soviet approach to a definition of poverty, maloobespechennost, has been based on the construction of 'normative budgets'. A committee of experts determines the quantities of goods and services deemed necessary for a household with a particular composition to achieve a prespecified

standard of living. These goods and services are then valued at ruling prices to give a ruble-value to the poverty standard. Thus the Soviet government (and most, if not all, Soviet sociologists and economists) adheres to an absolute concept of poverty. There has been virtually no published discussion of relative approaches in the Soviet Union. This Soviet work is in the tradition of Rowntree, Orshansky and, indeed, the US Social Security Administration (see Plotnick and Skidmore 1975, esp. pp. 31-46). But it is more detailed: not only does the committee of experts decide upon the composition of food purchases, it also specifies wardrobes for each member of the family and inventories of furniture and household effects. Annual and monthly expenditures are derived by assuming particular depreciation-replacement rates for these durables.

Although absolutist in approach, both Marxist tradition and Soviet practice recognise the relativity of consumer tastes, and hence the relativity of the subsistence minimum. It is explicitly acknowledged that the standard will have to be recalculated as earnings rise and as technological progress generates new consumption possibilities.³

Soviet economists made considerable use of normative budgets in their work on the cost of living in the 1920's; all such computations ceased in the 1930's and have been resumed only after 1956. Since then NIIT has constructed two or three budgets designed to contain "...the volume and structure of necessities of life required for the reproduction of labour power among unskilled workers, rabotnikov prostogo truda" (Sarkisyan and Kuznetsova 1967, p. 18). The first budget, in 1956-58,

may have been used in connection with the introduction of a new minimum wage; new and more extensive calculations were undertaken in 1965-67, and there may have been a further exercise in 1968-70.

Most is known about the 1965-67 version. This was calculated in two variants, for single individuals and for a notional family of four (a married couple, a boy aged thirteen, and a girl aged seven). The single-individual variant was compiled separately for nine different regions of the country and the family variant for four. Both budgets were restricted to the urban population. A comparison of the food components in the family budget with consumption in the U.K. suggests that they are nutritionally adequate but rather heavily slanted toward carbohydrates. Food expenditures constitute a much higher proportion of the total than in budgets constructed for many countries in Western Europe. (Food, drink, and tobacco carry almost twice the weight in the Soviet budget that they have in Orshansky's calculations (Plotnick and Skidmore 1975, pp. 32-33). But such comparisons can be misleading because differences in economic organisation mean that there are almost no medical expenditures, that transport and housing are relatively unimportant, and so on. The 1965-67 study concluded that the cost of attaining a minimum of material satisfaction (which I equate with the poverty level) was 50 rubles per month per capita for the family of four and 55-56 rubles per month for a single individual.⁴

There is much less information available about the other postwar Soviet attempts to define poverty. Indirect evidence suggests that in 1956-58 the standard was conceived of as 25-30 rubles per month per capita and in 1968-70 it may have been 68-70 rubles.⁵ Although our

knowledge of changes in the cost of living in the postwar period derives from western calculations that leave much to be desired, it appears that little of this substantial increase in the poverty level can be attributed to domestic inflation. In 1965, increases in the cost of living would have raised the 1956-58 standard to only 27-33 rubles per month.⁶ In any case, the Soviet authorities appear to have been bemused by the apparent stability of their own retail price index. When, in 1974, they introduced a means-tested family income supplement, the limit to entitlement was set at 50 rubles per month per capita rather than the 58-60 rubles which would have been indicated by the (western) cost of living index. Thus, changes in the official or semiofficial poverty standard that have occurred since 1956 can be ascribed for the most part to a more liberal conception of deprivation or, possibly, to a more soundly based understanding of the costs of subsistence in the USSR.

3. STATISTICS ON THE DISTRIBUTION OF INCOME

The second prerequisite for a rational anti-poverty programme is some knowledge of the extent of material deprivation of the number of families or individuals with incomes below the adopted limit. In the Soviet Union this is complicated by the fact that statistics on the distribution of income are partial, biassed, and available for only certain years.⁷ The most comprehensive source, the ongoing family-budget survey, suffers from such a multiplicity of shortcomings that it has been rejected by almost all Soviet researchers. Yet, until 1972, it was the only source of information about income distribution for the collective-farm population. Soviet economists and statisticians place more faith

in the periodic income surveys. These are based on a 0.5% sample of households; but they are available for only three years and the first two surveys cover only the nonagricultural population. Further, since the sampling frame was based on employment records, the sample excludes pure-pensioner and pure-student households, and one-earner families are underrepresented. Since these groups might be expected to contain above-average proportions of poor families, the extent of poverty in the USSR is probably underestimated.

The Soviet government does not publish official statistics on the distribution of income in the USSR and the estimates of the extent of poverty given here have been derived indirectly; they should therefore be treated with caution (see table 1). My calculations suggest, however, that in 1958 some 25-40 million nonagricultural state employees and their dependents had a per capita money income of less than 25-30 rubles per month. The number with a monthly money income of less than 50 rubles per capita was as high as 89 million. These figures mean that some 20-30 percent of the population group fell below the 1958 poverty line and almost three quarters were below the 1965 poverty standard. The incidence of poverty was almost certainly greater among other population groups.

I estimate that in 1967, 11.5 million nonagricultural state employees lived in families with a per-capita money income of less than 30 rubles per month. To this should be added another 1-4 million agricultural state employees. At this date there were still some 61 million non-agricultural state employees and possibly another 7-12 million sovkhozniki and their dependents with money incomes below 50 rubles per month. These

Table 1

Estimates of the Incidence of Poverty: Selected Groups USSR

1958-67

Population Group	Numbers (in millions) with monthly incomes less than		
	25R	30R	50R
<u>A. Money Income</u>			
Nonag. State Employees 1958	27.7	41.0	88.8
1967	-	11.5	60.8
<u>Sovkhozniki</u> 1967	-	1.2-4.4	7.2-12.0
<u>B. Personal Income</u>			
Nonag. State Employees 1967	-	3.3-3.6	41.9-43.0
<u>Sovkhozniki</u> 1967	-	0.4-2.4	5.2-10.2
<u>Kolkhozniki</u> 1967	7.2	11.9	32.1

The range of estimates is a consequences of different assumptions about the distribution of sovkhozniki by money incomes. See McAuley (1977c) Tables II-III for further details.

estimates imply that some 7-9% of state employees were below the poverty line by the 1958 definition and 37-40% in terms of the 1965 standard.

The above estimates are based on money incomes, as was the calculation of the poverty level; but Soviet rural households (both state-employed and collective-farm) derive significant benefits from private agricultural holdings. Such benefits are not negligible for many urban households as well. Since for the purposes of determining entitlement to the means-tested benefit mentioned above the Soviet authorities define income to include the domestic consumption of privately produced agricultural goods, it is interesting to ask what difference allowing for this component makes to the incidence of poverty. Although the adjustments are rather crude, I estimate that in 1967, some 7-12 million kolkhozniki, 0.4-2.4 million sovkhozniki, and 3.3-3.6 million non-agricultural state employees and their dependents lived in families with per-capita incomes less than 30 rubles per month.⁸ In the same year, the numbers with personal incomes below 50 rubles per month were 32 million, 5-10 million, and 42-43 million, respectively. On this basis, some 13-23% of kolkhozniki and 2-3% of state employees fell below the 1958 poverty line; some 61% of kolkhozniki and 24-26% of state employees and their dependents were below the line by 1965 definitions. These estimates form lower bounds to the incidence of poverty in the USSR, particularly for state employees. There are no figures for later years.

These figures are interesting for several reasons. I believe that the 1958 definition of poverty was too low, owing almost as much to preconceptions and prejudice as to detailed calculations of the cost of subsistence. Similarly, in terms of the standards prevalent in the

society, it would appear that the 1965 poverty line was set too high. It is difficult to accept a definition of material deprivation (or at least one that is relevant for policy purposes) that results in some 40% of the population being classified as in need.

Bearing these reservations in mind, however, the estimates given above show that there was considerable poverty in the Soviet Union in the mid-sixties and that more than half of those regarded as poor by official definitions were state employees or their dependents. But the figures also show that the Soviet government had gone some way toward reducing the incidence of extreme poverty among this group in the decade 1958-67; after all, the number of state employees with a per-capita money income below 30 rubles per month fell by almost thirty million over this period and, if the estimates of personal income are accepted in 1967 this category was insignificant. How was this achieved? Are there grounds for believing that such progress has been maintained?

4. POLICY INITIATIVES, 1956-65

The reductions in the incidence of poverty, suggested in the previous section, can be ascribed to wage reform and the reorganisation of the social insurance system, particularly pensions, undertaken after 1956. Both of these initiatives had objectives other than an attack on poverty, and both were part of a more general modernisation and rationalisation of Soviet administrative structure that had become outdated after almost twenty years of Stalinist immobilism. They resulted in higher living standards for certain categories, particularly state

employees without dependents and some pensioners, but the position of other groups was left untouched. For them, improvements have had to wait on the development of more sophisticated models of social structure, more detailed analyses of the relationship between earnings and incomes, and to some extent, on changes in political attitudes. These processes are still going on today.

The so-called wage reform of 1956-65 (although it covered salaries as well) was intended at least as much to generate a set of wage differentials in line with the needs of the economy, to facilitate a rational allocation of labour through the newly freed labour market, as it was to raise average living standards. Indeed, available evidence suggests that it resulted in only a modest increase in the rate of growth of average money earnings. But it did result in the development of a centralised and highly bureaucratic organisation for the determination of wage-rates and salary-scales, a contraction of formal if not actual intraindustrial differentials and significant increases in the minimum wage.

The emergence of a centralised bureaucracy with responsibility for wage determination had a number of consequences. Partly because it was associated with the rebirth of Soviet labour economics and the recognition of sociology as an independent discipline, it resulted in the articulation of a theory of wages for a socialist society, and a view of the proper role and scope of wages policy. At the same time it led to an enormous increase in empirical research into questions of wages and incomes, and thus to the advocacy if not the adoption of more empirically-based policies in these areas.

The view of wages and wages policy as it has developed in the Soviet Union in the past twenty years is too complex to be explained adequately here.⁹ It is sufficient to say that starting from basically Marxist premises, it is argued that earnings differentials are necessary to encourage the acquisition of appropriate skills, to persuade individuals to move into desired industries and regions, and to ensure that they are willing to undertake unpleasant or dangerous activities. It is also argued that on-the-job incentives are essential to guarantee that once in a particular position, individuals will work as hard as they can. These propositions are taken to imply that, at any given point in time, the distribution of earnings is to a large extent determined by the structure of the labour force and the pattern of demand for labour (see, for example, Rabkina and Rimashevskaya 1972, pp. 18-19). The government has only limited scope for modifying earnings differentials without affecting the level of output or economic efficiency. Further, they imply the desirability of a divorce between wages policy and social welfare considerations. A number of authors quote a dictum of Lenin's that "...wages should be connected only with production and that all that bears the stamp of, nosit kharakter, social security should in no way be connected with wages" (Rabkina and Rimashevskaya 1972, p. 28; see also Sukharevskii 1968, p. 271). At the same time, the principle of equal pay for equal work, which is also derived from Marxist premises, has been used to justify an enormous reduction in the number of pay-scales in use and a significant expansion of a national job evaluation programme.

Although its primary purpose was the rationalisation of pay-scales, an explicit objective (at least ex post) of the 1956-65 wage reform was to raise the earnings of low-paid state employees (Volkov 1974, p. 23). This was achieved primarily through increases in the minimum wage. In 1956 this was set at 27-35 rubles per month, depending upon the location and industrial affiliation of the enterprise or organisation. (Previously it had been approximately 22 rubles per month.) For reasons that remain obscure, this was raised in 1959 to 40-45 rubles for those plants, etc. that were operating on reformed pay-scales (Fearn's 1963, p. 17). Just why these particular values were chosen and their relationship to the empirical research of the period, and in particular the study of normative budgets by NIIT, is unclear. However, given the timing of various changes it seems unlikely that the 27-35 ruble wage was grounded on any extensive empirical analysis of the cost of subsistence. Further, the fact that employees in some sectors of the economy had to wait until 1965 for wage reorganisation--and thus for the 40 ruble minimum--suggests that if the NIIT study did reveal a cost of subsistence at anything like this level (which is unlikely given the desirability in Soviet eyes of on-the-job incentives and the need to allow for dependents), the alleviation of poverty did not have overriding priority.

The second policy initiative of the 1956-65 period was the reorganisation of pensions and social insurance. Here also, the object was codification and rationalisation rather than the adoption of any radically new approach to the problem of social welfare. The pension law of 1956 replaced a wide variety of sectional schemes by a unified

state system (though even here there were exceptions: employees of educational, medical, and scientific establishments (see Acharkan 1965, pp. 29-48; Madison 1968, ch. 4, 11)). Although it resulted in a significant increase in the average levels of benefits, the new law did not introduce any new principle of entitlement. It was, further, restricted to state employees: collective farmers were excluded from virtually all Soviet social insurance and social security schemes until 1965-70.

Under the 1956 law, entitlement to pensions was determined by employment. The same was true, under 1955 arrangements, of such benefits as sick-pay and maternity allowances. Generally speaking, the value of invalidity pensions and all temporary benefits increased with both earnings and length of employment. Old-age pensions also depended upon prior earnings, but their relationship to employment is somewhat different. The 1956 law also specified minimum and maximum values for old-age and other pensions. The minimum old-age pension was set at 30 rubles per month (25.50 rubles for those living in rural areas and having access to a private plot). Some idea of scale of increase introduced by the 1956 law can be gathered from the observation that in 1955, the average pension was 21 rubles per month (Acharkan 1971, p. 18). It is claimed that as a result of the 1956 act the average value of an old-age pension more than doubled (Acharkan 1968, p. 48).

There were two major groups of beneficiaries under this law: those retiring or becoming incapacitated after 1956 and those whose benefits had previously been below the new minimum. Because of the way that the law was interpreted, it did not lead to a general revision of pensions.

Only those with receipts below 30 rubles per month had their pensions increased to the new minimum. Since the allowance for dependents is only 10-15%, this would still leave some pure-pensioner households below the poverty line.

The policies of the 1956-67 period outlined here appear to have been based on assumptions about the structure of Soviet society and the causes of poverty that were oversimplified, if partially true, in 1956-58; but that have become decreasingly relevant with the passage of time. As a result, although there were significant achievements, substantial groups of the poor failed to benefit. In simple terms, Soviet policy in this period appears to have been based on the premise that everyone was in receipt of a wage, salary or pension and that the primary cause of poverty was the inadequate levels of these payments. An attack on poverty, therefore, called for a general increase in payments, and in particular, for raises in minimum wages and pensions. It cannot be denied that the wage reform and the new pension law led to increases in the living standards of many Soviet households, but because little attention was paid to the web of dependencies and the complexities of family structure, significant numbers of individuals, particularly children, remained in poverty.

Some indication of the character of those households considered poor by the 1958 definition can be gathered from table 2. It should be remembered that these figures relate only to state-employee households and that pure-pensioner and pure-student families are excluded. The figures show that, as a result of the 1956 measures on pensions and the minimum wage, almost 80% of households with a per-capita money income of less than 25 rubles per month consisted of couples with children (and possibly

Table 2

Share of Different Household Types among Poor Families:
USSR 1958-68

Household Type	1958 ¹	Household Type	1965-1968 ²	
	Moscow Oblast		Large Towns	Pavlovskii Posad
Single Persons	10.3	Young Unmarrieds	9.7	4.8
Childless Couples	3.8	Young Marrieds	0.6	0.5
Couples & Children	79.6	Parents & Young Ch.	87.5	94.7
Simple	41.0	Simple	44.4	68.5
Complex	8.8	Complex	32.8	17.0
Incomplete	29.8	Incomplete	10.3	9.2
Other	6.3	Elderly Persons	2.8	-
% of Total Sample	13.0	% of Total Sample	32.0	41.0

¹Figures from Uralnis (1966).

²Figures from Gordon (1972).

See McAuley (1977c) for details of the derivation.

The 1958 figures refer to families with a per-capita income of less than 25 rubles per month, those for 1965-68 to families with a per-capita income of less than 50 rubles. Comparisons between the sample should be made with caution as there may be differences of definition between them, both of income and of family type.

other relatives). Yet, a more extensive analysis shows that this category accounted for only 49% of the sample as a whole. Complex and incomplete families (those with relatives other than parents and children, and those lacking one parent) were particularly likely to be poor: they made up 4.7% and 16% of the total sample, while accounting for 8.8% and 29.8% of poor families. Other figures show that children under sixteen made up 36.9% of all those with per-capita incomes of less than 25 rubles but only 20% of the sample as a whole.¹⁰

The remaining figures in table 2 show that, on the basis of samples of industrial worker households, in spite of a doubling in the official poverty level, increases in the level of earnings (or possibly pensions) resulted in a decline in the proportion of single workers or childless couples who were poor. In 1965-68 poverty was almost exclusively a family affair. (It must be remembered that these figures exclude pure-pensioner households.) Other figures show that the problem was particularly acute among complex and incomplete families: in the sample drawn from large industrial centres, some three-fifths of complex families and two-thirds of incomplete ones had a per-capita money income of less than 50 rubles per month; in the Pavlovskii Posad sample 70% of incomplete families were poor by the 1965 definition. (Pavlovskii Posad is a small town in the Moscow oblast; it is supposedly typical of other small towns in European Russia, but this is open to doubt.) Other figures suggest that there may have been a decline in the proportion of the poor who are children, accompanied by an increase in the proportion who are pensioners, students or nonemployed women. But these changes relate to European Russia and are probably not true of Soviet Central Asia.¹¹

I believe that the years 1965-68 constitute a turning point in the development of Soviet anti-poverty policy. It is in this period that the three prerequisites of an adequate policy come together and it is at this time, as I attempt to show in the next section, that possible alternatives are considered. In 1967 the NIIT research that established the poverty level at 50 rubles per month per capita was published. Although the results of the survey were not published, it is probable that the 1967 study of family composition, income, and housing conditions showed that some 32-33% of families and 37-38% of non-agricultural state employees had money incomes below this level. Although the figures in table 2 are not derived from the 1967 study, it is also probable that it showed a similar relationship between family composition and poverty.

Other research, carried out in 1967-68, but not published until 1972, would have suggested that poverty was only partly a consequence of low pay. The figures in table 3 show that, for this sample of industrial workers and perhaps more generally, 37% of households had per-capita incomes of less than 50 rubles per month and almost 60% of these contained workers with monthly wages in excess of 90 rubles. (At this date average industrial earnings were 109 rubles per month (Narkhoz 1967, p. 657)). Per contra, more than half of those with wages of less than 90 rubles per month lived in households with a per-capita money income above the 1965 poverty level. These figures show that complexities in family structure were at least as important as low pay, per se, in generating deprivation. They also indicate that a significant proportion of the resources devoted to any further increases in the minimum wage would not go to improving the position of those most in need.

Table 3

The Relationship between Earnings and Incomes: Industrial
Workers RSFSR 1967-68

Family Income (Rubles per month per capita)	% Workers in Wage-Class in Families with Given Income			% Workers in Sample
	-90 Rubles per mo	90-160 Rubles p m	160- Rubles	
-50	48.4	35.4	19.6	37.0
50-75	42.0	43.6	43.1	43.0
75-	9.6	21.0	37.3	20.0
% of Sample in Wage-Class	31.0	53.5	15.5	100

Derived from data in Rabkina (1972, p. 50) and Gordon (1972, pp. 35-6): see McAuley (1977c) for details of the calculation. The data are based on a sample of industrial workers from 'one of the industrial centres of the RSFSR' (Rabkina 1972, p. 49).

In principle, it is the function of the social welfare system to offset in some degree the extraordinary burdens imposed upon the wage-earner by the necessity of raising a family or supporting elderly relatives. The Soviet legal system clearly imposes responsibility for the support of dependent relatives on the economically active population (Madison 1972, pp. 837-38), but the evidence, such as it is, suggests that the array and structure of social security and social insurance benefits did little in 1965-68 to help the worse-off. Table 4 shows the relationship between welfare benefits and income in one small sample of households of industrial employees in Ivanovo oblast in the early sixties. The figures show a tendency for total benefits (which include expenditure on education, medical care, and housing subsidies) to rise with income. The trend is even clearer for cash receipts. The value of benefits reported for this sample is almost double that given for a similar sample in 1955-56, but the distribution is virtually the same. There is reason to believe that there was little change until 1974. These figures suggest that the modifications to the social security and social insurance systems that had been introduced since 1955, although they had greatly increased the cost of the system to the Soviet state, did not result in the concentration of resources on those most in need of assistance.

All the material mentioned here was available to the Soviet government in 1967-68. It presented them with evidence of substantial poverty by their own definitions, poverty that was particularly acute among families with children or those who were supporting elderly relatives. It also demonstrated the inadequacy of the existing social welfare

Table 4
 Receipts from Public Funds at Various Income Levels
 (Ivanovo Oblast, 1961-65)

Income Class (Rubles per month per capita)	Receipts from Public Funds (rubles per month per capita)		
	Cash	Non-Cash	Total
-25	5.2	9.7	14.9
25-35	6.2	9.2	15.4
35-	8.2	7.6	15.9
50-70	12.2	7.2	19.3
70-	9.3	4.8	14.1

Based on a sample of 746 state-employee households drawn from six industrial enterprises in Ivanovo Oblast (from Lion 1965, p. 18).

system. Not only did it fail to provide preferentially for the urban (nonagricultural) poor, as the above figures indicate, but in certain respects coverage for the rural (collective-farm) poor was nonexistent, in others it was inadequate. If the Party and the government were in fact committed to raising the living standards of the least well-off, some response was demanded. It would appear that two options were open: either there could be further increases in the minimum and other wages, or there could be a more or less radical reformulation of the social welfare system. Both the accumulating evidence of social research and the attitudes (and therefore, implicitly the advice of the wage-determination bureaucracy) suggested that the second alternative was preferable. Yet, in 1968 the first policy was chosen. It was not until 1973-74, after a further round of wage increases, that the first tentative steps towards the second option were taken. In the next section I explore some of the reasons for these decisions.

5. REFORMULATION OF THE SOCIAL WELFARE SYSTEM

In January 1968, the minimum wage was raised from 40-45 rubles to 60 rubles per month for all state employees. New base-rates were specified for pay-scales in all sectors except underground mining (where the previous base-rate was in excess of the new minimum wage). These new rates, however, were not used to permit increases for those with basic wages much above 70 rubles per month (Kunelskii 1968a, p. 87). The new minimum wage resulted in substantial increases in earnings for certain categories of labour and in a marked reduction in both interindustrial and intraindustrial differentials. In certain branches the spread of

basic rates for wage earners was reduced from 80-100% to as little as 20%; in state agriculture the spread was reduced to 16%, that is 10 rubles (Kapustin 1974, p. 269).

At the time, three arguments were put forward for adopting a minimum wage hike of this form, for concentrating so large a proportion of the available resources on the low-paid. It was suggested that to raise the minimum wage to 60 rubles while preserving existing differentials would cost more than the state could afford (Kunelskii 1968a, p. 87). By itself this reason does not preclude the adoption of some lower minimum which would have allowed the retention of existing differentials. But, although the connection is not made explicitly, discussion of the NIIT work on the cost of subsistence in this context suggests that the decision to concentrate resources on the low-paid reflected a desire to ensure that the minimum wage was above the poverty standard (Kunelskii 1968b, p. 29).

Second, it was claimed that labour turnover was highest in low-paid occupations and that "...an improvement in the conditions of paying for the labour [of the low-paid] would facilitate the retention of labour on the job, zakrepleniye kadrov na proizvodstve" (Kunelskii 1968a, p. 80). There is some evidence that casts doubt on this claim. In 1967-68, NIIT conducted a study of labour turnover in four sectors: engineering, light industry, sugar refining, and canning. These sectors accounted for slightly more than half of the industrial labour force at the time. The study showed that unskilled workers (grades I-II) formed a higher proportion of quits than of the labour force as a whole; but this includes separations for all reasons (Danilov 1973, p. 189). An earlier study

of turnover in Leningrad industry had shown that only 25.4% of grade I workers who left their jobs in 1962-63 gave dissatisfaction over pay as their primary reason for leaving; also, 21.8% of grade II workers, 23% of grade V workers and 20.3% of grade VI workers (the most skilled) gave the same reason (Blyakhman, Zdravomyslov, and Shkaratan 1965, pp. 57, 64). These figures suggest that dissatisfaction over pay was not much more prevalent among the unskilled (low-paid) than among more highly qualified sections of the labour force. Also, the authors of the NIIT study comment that dissatisfaction over pay was most common among workers leaving enterprises in Instrument-Making, Coke-Ovens, Ferrous Alloys, and Footwear industries; none of these were among the lowest paying sectors of either the sample or Soviet industry (Danilov 1973, p. 144).

Finally, it was claimed that the 60 ruble minimum wage would increase the earnings of many employees in the services sector--sales staff and cashiers in retail trade, library staff, typists and those employed in preschool child-care facilities--and that this would create "more favourable conditions for attracting [people] into employment which is particularly important, considering the difficulties currently experienced by enterprises and organisations in recruiting, komplektovani, such personnel" (Kunelskii 1968a, p. 86). These occupations are almost exclusively staffed by women in the USSR. Over the period 1959-70 there was a substantial increase in participation rates among women of working age in the Soviet Union, but there is little evidence of a break in the growth of female employment in 1968. It is therefore not clear that the new minimum wage was successful in this aim. Indeed, it is not clear that it was low pay, rather than difficulties over childcare arrangements or over housing and the location of job opportunities that was the main impediment to the recruitment of women at this time (Blyakhman, Zdravomyslov, and Shkaratan 1965, p. 57).

impediment to the recruitment of women at this time (Blyakhman, Zdravomuslov, and Shkaratan 1965, p. 57).

The minimum wage hike of 1968 was justified, then, by anti-poverty considerations and by reference to its presumed effects on the labour market; specifically, it was claimed that it would lead to an increase in the supply of low-skill labour and to an increase in its stability. As has been pointed out, evidence exists (and was available to Soviet policy-makers at the time) which casts doubt on the likelihood of these latter effects. It is true that the minimum wage hike increased the standard of living of low-paid state employees; but it did little for those with earnings much above 70 rubles per month who, because of family and other responsibilities, were living in households with a per-capita income below the poverty line. It also left the nonemployed poor unaffected. Finally, it subverted the structure of interindustrial and intraindustrial differentials that had been completed only three years previously through the 1956 wage reorganisation. As a policy, then, it was inconsistent with the activity of the State Committee on Labour and Wages. There have been a few Soviet labour economists who have argued that the appropriate scale of wage-differentiation in current Soviet conditions is of the order of 20-30%, approximately that which resulted from the 1968 wage hike (see, for example, Maier 1973, quoted by Kirsch 1972, pp. 112-17); but virtually all those employed at NIIT together with official State Committee spokesmen have criticised the post-1968 situation, commenting on the distortion of differentials and on a temporary egalitarianism, uravnitel'nost (see, for example, Kapustin and Kuznetsova 1974, p. 266).

From the State Committee's point of view, the 1968 hike was inappropriate. Insofar as the objective was to reduce the incidence of

poverty (i.e., was connected with social security), this should have been pursued by nonwage methods. And it appears that the use of social security was considered at this time but was rejected (presumably by the Central Committee of the Party or by the Council of Ministers). Apparently it was claimed that the use of social security, and by this I suspect that the payment of some form of income supplement to the nonemployed and indigent was envisaged, would have undermined labour discipline, while the use of a higher minimum wage would constitute a material incentive. The introduction of some form of social security benefit, available to those in need, would have encouraged many in unskilled occupations to leave their jobs and to live at the expense of the state. The use of the minimum wage would increase the opportunity cost of leisure, or rather, domestic occupations, for those not in employment; for those already at work, in the absence of unemployment compensation, it would increase the opportunity cost of job changes (Kunelskii 1968b, p. 16).

Very little of this policy dispute reached the press in explicit form. Rather, it has been inferred from the discussions, assessments, and justifications of the policy once it had been adopted. If the inferences are correct, however, it suggests that the Soviet authorities, faced with evidence of extensive urban poverty (by their own definition) in 1967-68, preferred to abandon the carefully constructed, but perhaps outdated, structure of occupational differentials than to admit 'need' as a criterion for social welfare support.

6. RECONSTRUCTION OF THE SOVIET SYSTEM

The explanation advanced in the previous section is given some further credence by the developments in social security programmes in the five years or so after 1968. In 1970, sickness benefits were made payable to collective farmers on much the same principles as to state employees. In 1971, the formulae used in deriving kolkhoznik pensions from their previous earnings were replaced by those used for state employees; the minimum kolkhoznik pension was raised from 12 rubles to 20 rubles per month. In the same year the minimum state pension was raised to 45 rubles per month (38.25 rubles for those living in rural areas and having some connection with agriculture) (Sotsialnoye 1972, pp. 106, 181, 270). These changes suggest a decision to retain the existing principles on which the Soviet social welfare system was based, making it more general (that is, extending it gradually to the whole of the agricultural sector) and increasing the levels of benefit provision as the economic situation and other objectives permitted.

There are very few figures available about the extent and character of poverty in the Soviet Union after 1968. But it is probable that the further investigations of sociologists, economists, and statisticians have cast doubt on the beliefs about the nature of Soviet society and the sources of poverty on which the post-1968 policies were based. During the ninth five-year plan (1971-75) the Soviet government raised the wage-rates and salary-scales of middle- and high-paid categories of state employees and laid down a timetable for raising the minimum wage to 70 rubles per month (Gosvdarstyennyi...1972, pp. 286-87; see also Kapustin 1974, pp. 268-69). This imposed a serious strain on the economy,

and due to agricultural and other difficulties, the adoption of new pay-scales was deferred in a number of instances. But the programme was finally completed with little delay. I have found no reference to the 1972 income survey after its completion, but it is possible that it showed that neither the 1968 increase in the minimum wage nor the ongoing 1971-75 increases in wages and salaries had made as much of an impression on the incidence of poverty as had been expected--at least by the government. (Indeed, the official silence may be explained by the survey having obtained undesirable results.) Also, one infers from accounts of subsequent research that the 1968 wage hike was not wholly successful in attracting women into the labour force and that the existing social security system led to considerable hardship among particular categories of women. As a result, starting in 1973, although indicated somewhat earlier, the Soviet authorities have begun a tentative reconstruction of their welfare system.

Since at least as early as 1955, female state employees in the USSR have been entitled to 112 days of paid maternity leave. But, until 1973, the amount of pay they received has depended upon whether or not the woman was a member of a trade union and upon the length of time she had been employed prior to the birth. Although the details are complex, nonmembers were only entitled to two-thirds of their average pay subject to a 30 ruble minimum. In 1956, this minimum coincided approximately with the minimum wage, but it was not raised in line with subsequent increases in that wage. Thus, after 1965, maternity benefits for those earning less than 75 rubles per month (and there is evidence to suggest that a sizable proportion of all workers in this category were women)

would have put them below the official poverty line. In 1973 the link to trade union membership and to the employment record, important principles of the Soviet social security and social insurance systems, was broken. As of that year, all women (state employees, that is, since the provision was not extended to kolkhozniki) are entitled to 100% of their previous average earnings for the full 112 days of their maternity leave (Sotsialnoye...1972, p. 69; Kotlyar and Shlemin 1974, p. 118).

In 1975 there was a similar, but less radical, modification to the regulations governing the payment of sickness benefits to state employees. As of that year, those with three or more children under the age of sixteen (or eighteen if in full-time education) were entitled to full pay (nonunion members to half pay) irrespective of period of employment (Sobraniye...1975, p. 2).

But the introduction of a family-income supplement in November 1974 (which had been announced in general terms in 1971) marked the most extreme departure from previous practice. In spite of evidence dating back at least to the late fifties that children imposed a significant burden on family resources, the Soviet government had always previously been unwilling to introduce (or rather to extend) child allowances. Under the terms of a 1947 decree, a woman with two children was entitled to a grant of 20 rubles on the birth of a third child; a woman with three children was entitled to a grant of 65 rubles on the birth of a fourth and also to an allowance of 4 rubles per month from the child's first to his fifth birthday. With the birth of each successive child, up to the eleventh, she received both a larger grant and larger monthly allowance;

the top rates were 250 rubles and 15 rubles per month. These rates have not been adjusted since 1947. There is also a meager 5-10 rubles per month for single mothers which continues until the child's twelfth birthday (or until he is adopted). Such payments are not made in respect of children whose paternity has been admitted or in respect of whom the mother receives alimony (Sotsialnoye...1972, pp. 576-80).

This extremely limited support for families with children has been supplemented since November 1974, by the payment of 12 rubles per child per month to those families with a per-capita income of less than 50 rubles per month. The payments continue until the child's eighth birthday. Families can apply at any time for this benefit but their entitlement is reassessed annually. Entitlement depends upon average monthly income in the preceding year. For this purpose, income is defined to include all periodic monetary receipts and the value of domestic consumption of privately produced agricultural goods (Sobraniye 1974, pp. 421-35). At least in Kazakhstan (and one would suspect generally), a notional addition is made to the monetary incomes of families possessing private plots to allow for this income component. In Kazakhstan, the addition for collective farmers is 60 rubles per month; for state farm employees it is 50 rubles; for nonagricultural state employees living in urban settlements, poselki gorodskogo tipa, it is 35 rubles; and for those living in urban areas, only 5 rubles per month (Bush 1975, p. 60).¹³ It is not clear whether this reflects an accurate computation of the average value of domestic consumption of private agricultural output for these different categories or constitutes a hidden subsidy to urban workers and their families. My guess is the latter. Crude calculations on the basis of budgetary provision suggests that the authorities expect that one-third of all children under the age of eight will benefit from it.

7. CONCLUDING REMARKS

These innovations in social welfare, the gradual and piecemeal extension of the system on equal terms to collective farmers, the partial abandonment of union membership and length of employment as conditions of entitlement or determinants of benefit, and the introduction of income (need) as a criterion of entitlement mark the first tentative steps in the reconstruction of the Soviet welfare system. I believe they have been adopted because experience and research have shown that earlier approaches were inadequate, that the use of successive increases in the minimum wage, while it distorted differentials and thus had adverse effects on the allocation of labour, did not ameliorate the conditions of significant numbers of the deprived or disadvantaged. Further, the use of the social security and social insurance systems to stimulate union membership or to encourage labour force stability resulted in the deprivation of individuals and families at those times when help was most needed.

The Soviet authorities and their advisers are faced with the problem of determining the proper role and function of social security and social insurance in their society. Should it supplement and reinforce the structure of earnings differentials as it does to a large extent at present, or should it attempt to concentrate resources on alleviating the position of those families most in need? Indeed, how should one define need? Should support be provided to maintain families at or near the standard of living they enjoyed before the 'calamity' that occasions recourse to the system? This would probably imply that the bulk of resources will go to the better-off. Or should the system attempt to

provide a minimum standard below which no member of the society should fall? This is the Beveridge ideal and probably, in Soviet conditions, implies the introduction of means-testing and the diversion of benefits to the agricultural (collective-farm) population and those living in Central Asia. One conjectures that none of these developments would be very popular politically with urban workers or with Russians proper.

But it is on answers to these and similar questions that the reconstruction and extension of the Soviet welfare state and its relationship to wages and salaries policy must depend. These issues were frankly and extensively discussed in the twenties: Stalinism and history imposed one set of answers on the Soviet Union in the thirties. Developments in the world at large and in the USSR since 1952 have shown this solution to be inadequate. The opportunity now exists, a quarter of a century after the dictator's death, to pose the questions again and perhaps to adopt new answers. In the past fifteen or twenty years these issues have been extensively discussed in Western Europe and the U.S.; but they have barely been raised, let alone adequately discussed in print in the USSR. The occasion now exists for a new debate on poverty and a new examination of possible anti-poverty programmes in a collectivist state. I only fear that the government may be too inflexible and conservative to seize the opportunity and benefit from it.

NOTES

¹A more detailed account of some of these developments is given in McAuley (1977b).

²For an assessment of changes in collective-farm incomes see Bronson and Kruger (1971).

³These ideas are developed further in McAuley (1977a).

⁴It is difficult to translate these figures into dollar equivalents in a meaningful way. Hanson (1968) suggests a purchasing-power-parity rate of exchange of 3.02-3.48 rubles to the pound in 1965. At the official sterling-dollar exchange rate of the period this implies a poverty standard of \$483-556 per year per capita. A more plausible purchasing-power-parity rate of \$4.0 to the pound would yield a figure of \$690-795 per year. But it is not really legitimate to chain-link p-p-p exchange rates. In 1976, allowing only for U.S. inflation, the Soviet standard is worth some \$900-1500 per year; allowing for Soviet inflation reduces the figure to about \$800-1250.

⁵Both these figures are inferred indirectly; further details can be found in McAuley (1977c). See also Kapustin and Kuznetsova (1972).

⁶These figures are based on the cost of living index given by Schroeder and Severin (1976).

⁷The material in this section is drawn from McAuley (1977b); q.v. for references.

⁸Essentially the calculations involve allocating all nonkolkhoznik private output to state employee households with per-capita money incomes below 50 rubles per month. See McAuley (1977c, pp. 6-11) for further details.

⁹An account of Soviet wage theory and its development is given in Kirsch (1972).

¹⁰These figures are inferred from an analysis of the demographic composition of those households in the Moscow oblast that were included in the 1958 income survey; see Urlanis (1966). See McAuley (1977c) for further details.

¹¹See McAuley (1977c) for further details on sources and methods of derivation and for more data on household composition at different levels on income.

¹²For the 1955-56 sample see McAuley (1977c, Table XI). Mamontova (1973, p. 80) states that cash payments go primarily to the better-off with the result that total social expenditures per capita are greater in better-off families.

¹³Bush cites the Kazakhstan German language newspaper Freundschaft October 31, 1974.

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