

Central Committee of the Communist Party of China's Circular on Li Lisan's Comprehensive Report on Salary Adjustment

July 4, 1951

To all Central Bureaus, Converted Branch Bureaus, Provincial Committees, Large and Medium City Committees, District Party Committees:

Li Lisan's comprehensive report on the situation of salary adjustment is hereby forwarded to you. Please study it carefully and send your opinions by telegram. At the same time, take appropriate measures to adjust salaries in your area. The issue of wages is as crucial for the working class as the issue of land for farmers, representing a highly important fundamental matter. If all our party organizations do not seriously study this issue, we cannot handle it correctly. Failure to address the issue correctly will hinder the establishment of close ties with the working class, prevent us from gaining wholehearted support from the working class for our party, and impede our ability to rely on the working class to carry out productive and other various tasks successfully. Therefore, it is necessary to draw attention within the party to the issue of wages, urge all party organizations to study it seriously, summarize the experiences of salary adjustments in various regions, and report your experiences to the Central Committee. Comrade Li Lisan's report and this circular can be published in party publications.

Central Committee

July 4

Li Lisan's Comprehensive Report on Salary Adjustment

May 27, 1951

In the past year, with the recovery and development of production, the corruption, confusion, and irrationality of the wage system left behind by the Kuomintang bureaucratic capital have become increasingly evident. Firstly, within the same industry system and the same region, there are significant disparities in wage standards, leading to frequent job changes among workers. The wages in important industries and regions requiring industrial development are lower than in other industries and regions, making workers and staff uneasy about their work. This situation also prevents the consolidation of labor, and in some cases, even causes a reverse flow of labor. The wage levels for major workers and auxiliary workers within enterprises are inverted, leading to dissatisfaction among workers. Multi-level egalitarianism seriously hinders the enthusiasm and creativity of workers and staff. Some enterprises still maintain several different wage standards, resulting in different wages for the same level of skills among workers and staff, leading to internal disunity and dissatisfaction. Lastly, various units for calculating wages and numerous types of nominal wages hinder the implementation of the economic accounting system and need to be urgently addressed. Therefore, reforming the chaotic and irrational wage system left behind by the Kuomintang is not only a unanimous demand of the broad masses of workers and staff but also a necessary measure for further restoring and developing production. This is the common conclusion reached after studying the issue of wages in various regions.

Although factories and enterprises in various regions have undergone more or less adjustments in the past year, they have played a certain positive role, but the irrational wage system has fundamentally not changed. The National Salary Adjustment Preparatory Conference held in September last year played a role in promoting the attention to wage issues in various regions. The conference clarified the direction of the national wage adjustment, proposed solutions to several

important issues related to wage adjustments, but due to insufficient consideration for the particularities of various regions, the proposed plan can only serve as internal reference and cannot be universally implemented for the time being. After the conference, many regions have successively convened wage conferences to conduct systematic investigations and studies on the current wage situation. Some have organized training classes to cultivate cadres for wage work; some have adjusted cadres and established or strengthened labor wage institutions; some have formed workgroups to conduct research and calculations for wage adjustments. Some regions (such as Guangzhou and Nanjing) have conducted pilot work based on the spirit and principles of the draft wage regulations due to production needs. All these preparations have laid the groundwork for wage adjustments in 1951.

At the beginning of this year, due to the needs of production development in Shanxi, the overly corrupt and irrational wage system left by the Yan forces affected workers, resulting in job changes and unstable emotions. In January, with the approval of the Central Financial and Economic Committee, wage adjustments were first carried out in state-owned enterprises and then expanded to larger enterprises in provinces and cities. So far, state-owned enterprises such as the electric power industry and the ordnance industry have completed their adjustments. Other enterprises are still in the process of adjustment. All enterprises that have undergone adjustments have implemented a unified wage distribution, determined technical standards, implemented an eight-level wage system, and established a preliminary reasonable wage order between industries.

In December last year, the Central Finance and Economics Committee approved the adjustment of wages in the Northwest region due to the needs of production development. Under the direct leadership of the Northwest Financial Committee, the Wage Committee was organized to conduct planned and systematic work, including investigating the situation, formulating plans, and conducting key pilot projects, starting from January. The focus of the Northwest adjustment is the petroleum industry. After a considerable period of repeated investigations, calculations, and study of plans, technical standards have been formulated, and the evaluation stage has been entered. The wages for the postal and telecommunications workers in Gansu, Ningxia, and Qinghai have been adjusted with the assistance of the central postal and telecommunications work team. The Northwest Machinery Factory is improving labor organization conditions in preparation for wage adjustments.

Shandong and Chahar are currently adjusting wages in larger state-owned and provincial enterprises. After a year of deliberation and research, the Central Financial and Economic Committee has approved the formulated wage adjustment plan in the Central-South region. It is currently being implemented in four important factories and mines on a trial basis, and will be promoted after gaining experience. In other regions such as Beijing, Tianjin, Hebei Province, investigations and research are underway, preparing plans, or focusing on trials to accumulate experience.

Regarding industrial systems, adjustments are mostly conducted based on regions. The salary adjustment plan for the railway system has been approved by the Central Financial and Economic Committee and is currently undergoing preparations, with a more comprehensive adjustment planned in various regional bureaus. Other major industrial sectors are adjusting the salaries of enterprises directly under them in North China.

In summary, the scope of wage adjustments currently taking place in various regions is relatively broad. The fundamental reason is the need for the recovery and development of production, requiring the reform of the chaotic and irrational wage system left behind by the Kuomintang bureaucratic capital. However, the depth of the adjustments varies due to differences in the current wage situation in different regions and industries. According to incomplete information, there are

three main types: (1) Some have reformed the wage system, such as larger state-owned and provincial enterprises in Shanxi, Northwest Petroleum, Nanjing Metrology Factory, Qingdao Waterworks, etc. They have increased wages based on the principle of remuneration according to labor and implemented an eight-level wage system mostly based on technical standards, which has increased labor productivity, inspired workers' enthusiasm for learning technology, and laid the initial foundation for implementing piece-rate and time-based incentive wage systems. (2) Some have conducted relatively reasonable internal adjustments without changing the total wage amount. For example, Tianjin Water Company changed from 190 levels to three classes and twenty-four grades, mainly unifying the two different wage standards in the past, achieving preliminary fairness and rationality, and promoting production. (3) Some factories primarily pay workers based on piece rates, but outdated work quotas and the Kuomintang's piece-rate methods hinder the improvement of labor productivity. Therefore, they first review work quotas based on technical standards, then adjust wages based on the increased labor productivity. Jingxi Mining Bureau Chengzi Mine has only changed from collective piece-rate work in three shifts day and night to piece-rate work in one shift, resulting in an efficiency increase of thirty to fifty percent. Some factories improve labor organization conditions first and then adjust wages. Northwest Machinery Factory's sand-shifting workshop improved labor organization, overcame the confusion of skilled and auxiliary workers doing mixed work, and increased production by more than thirty percent.

Apart from the above, there are also individual factories that have increased the total wage amount by fifteen to twenty percent without conducting reasonable internal adjustments. Therefore, although the trade and industry have increased, there is no new atmosphere in production. However, this is an exception, and most of the enterprises that have currently adjusted or are adjusting wages belong to the first type.

It is evident that the current wage adjustment work in various regions has important principled differences from previous wage adjustment efforts.

Firstly, there is a more clear and unified direction. Generally, all regions have grasped and adhered to the three principles of reforming the national wage system unanimously agreed upon by the National Wage Preparatory Conference. The first is to adjust reasonably within possible limits, laying the preliminary foundation for a nationally unified and rational wage system. The second is to consider the reality and strive to gain the support of the majority of workers and staff for it to be feasible. The third is to consider the financial and economic capacity of the country, avoiding excessive burdens on the national budget. When the Central Financial and Economic Committee instructed regions to adjust wages, it explicitly stated that enterprises with relatively high current wages should not increase or decrease wages in principle, while those with low wages should be gradually increased. However, it is not an egalitarian approach to universally increase wages. Instead, it is based on the production needs and wage situation of each enterprise, treating them differently. In other words, for enterprises with low wages but vibrant production, considerate increases are made, while those with low wages and sluggish production are temporarily left unchanged. To gain the support of the majority of workers, it is strictly adhered to the principle that the number of people whose wages are reduced should not exceed ten percent. Most enterprises that have adjusted wages have achieved this, thus gaining the support of more than ninety percent of the workers. Except for individual factories, most have conducted relatively reasonable adjustments based on increased wages, but it is not and cannot be achieved to thoroughly reform it all at once. In summary, this wage adjustment is based on the perspective of improving production, changing the viewpoint from simply improving the lives of workers or mainly reducing the financial burden.

Secondly, most of the current enterprise wage adjustments involve improving the wage system rather than simply adjusting the standards of high and low wages. Therefore, this adjustment is reformative. First, it reforms the multi-level wage system into an eight-level wage system, which is a significant reform in China's wage system. Although there are still many considerations and accommodations in the process of implementing the eight-level wage system, in terms of coefficients and standards, and even temporary allowances for some workers who have been excessively reduced, the implementation of the eight-level system provides very favorable conditions for further promoting the piece-rate wage system and implementing the economic accounting system.

Thirdly, most of the current wage adjustments are carried out under the leadership of local party committees, with unified arrangements by government, enterprise administration, and trade union organizations. Generally, under the direct leadership of local financial committees, wage committees responsible for organizing and planning wage adjustments have been established, balancing between regions and industries. Therefore, the current wage adjustments in various regions are mostly planned and systematic. Moreover, when adjusting wages in various regions, the draft spirit and principles of the wage regulations drafted at last year's National Wage Preparatory Conference are generally adhered to. Not only are the principles consistent, but the methods for dealing with several major wage issues are also generally consistent. This creates conditions for the future creation of a nationally unified wage system.

What are the main experiences in adjusting wages in various regions and industries at present? Based on incomplete information, we believe there are several points worth mentioning for reference by various regions:

Firstly, the results of implementing the eight-level wage system in Shanxi, Northwest, Shandong, Nanjing, Central-South, and other places once again prove that the eight-level wage system is the most scientific and reasonable wage grading system. It is not only applicable in socialist countries like the Soviet Union, not only in advanced regions like the Northeast, but also works on a multi-level basis. A worker from the Qingdao Waterworks said, "In the past, meat and lower-tier goods were sold at the same price, and technical skills were useless. Now, with the eight-level system, we have a direction, a goal, and hope." The fact proves that improving the old wage system, implementing the eight-level wage system, not only promotes production but is also warmly embraced and welcomed by the majority of workers.

In enterprises that have implemented the eight-level wage system, there has been a noticeable increase in productivity in a short period. Since the eight-level wage system pays wages based on the level of skill, workers' enthusiasm for production has significantly increased. Many factories and mines have exceeded their tasks after adjusting wages. For example, a blacksmith in a certain factory in Shanxi, after overcoming his "mental illness," completed the task 300% in ten days. There is a general increase in a sense of responsibility at work, and workers consciously adhere to labor discipline, leading to a reduction in accidents. For example, the Qingdao Baishahe Water Source has not had any accidents since adjusting wages three to four months ago.

Enterprises that have implemented the eight-level wage system have shown a widespread enthusiasm for learning technology and culture. In a factory in Shanxi, where workers were not very

enthusiastic about participating in cultural classes before, after adjusting wages, 100% of them attended classes on time. There is a widespread demand for additional technical courses, purchasing technical books, and inviting technicians to explain machine structures. In a Shanxi factory, where cultural textbooks worth 1,000 yuan were previously not paid, now textbooks on mechanical drawing worth one to two yuan are being purchased by over three hundred people. In Qingdao's Baishahe Water Source, over ten workers have subscribed to "Technical Worker," and some have even bought "Electrical Engineering." Why are workers so actively learning technology and culture? It is because after implementing the eight-level wage system, workers realize that they can earn money based on their abilities. With significant differences between the eight levels, advancing to a higher level means much more in wages, so it stimulates workers to actively study, striving to reach a higher level. This is one of the important benefits of the eight-level wage system.

However, the implementation of the eight-level wage system requires a series of preparations. First, it is necessary to improve the enterprise management system, make individual adjustments to extremely irrational wage phenomena, improve labor organization, establish a preliminary responsibility system, formulate technical operating procedures, and specify quality standards, among other measures. It has been verified that enterprises that have made improvements in these aspects in the past have proceeded with wage adjustments more quickly. For example, in some factories in Shanxi, which already had some quota management foundation, adjustments proceeded smoothly after improving labor organization. Conversely, for enterprises with chaotic management that has not been improved, it is necessary to start by improving the enterprise management system. For example, the Northwest Machinery Factory began formulating various management systems, specifying product quality standards, defining wage levels, formulating technical standards, and it took more than four months before starting to adjust wages in early July. At the same time, the implementation of the eight-level wage system must be based on an increase in wages to be effective. Otherwise, due to the previous high number of levels, changing to eight levels may result in a large number of people having their wages reduced, exceeding ten percent. The current experience in wage adjustments indicates that implementing the eight-level wage system, along with a certain percentage increase in wages, is not difficult. Even in factories with over two hundred levels, it can be implemented. On the other hand, if there are financial and economic constraints or the total wage amount cannot be increased due to the originally high wage level, implementing the eight-level system becomes difficult. In such cases, internal adjustments can be made, levels can be reduced, gradually improved, and after a considerable period, the eight-level wage system can be tried.

Secondly, when starting wage adjustments, four tasks must be carried out:

1. Formulate the wage adjustment plan. Based on the above three principles, formulate a wage adjustment plan for the enterprise. After submitting it for approval from higher authorities, compare the plan with the actual wage situation, repeatedly calculate based on technical standards, and make the plan close to the expected evaluation results before implementing it to avoid mistakes.
2. Develop or revise technical standards. Technical standards are the scale for measuring the proficiency of workers and the objective basis for assessing wage levels. Therefore, before adjusting, technical standards must be formulated or revised based on different job types, work, machine equipment, and labor organization conditions. Technical standards should be practical, written in simple language, clearly defined, and include many work examples for easy acceptance and understanding by workers.
3. Conduct repeated ideological education. Publicize the benefits of the eight-level wage system, conduct technical standard education, explain various concerns of workers about wage adjustments,

and use various methods such as short-term amateur training classes, large lectures, small group discussions, comprehensive answers, etc., to carry out repeated propaganda and mobilization.

4. Have leadership and standardize wage evaluations. It has been verified that the top-down leadership with standards and the evaluation of wages through mobilizing the masses and revising them from bottom to top are more in line with reality than the methods of "self-report and public deliberation" and "three-list fixed decision." This avoids phenomena such as "comparing people" and "mutually raising each other," truly achieving fairness and reasonableness, raising the awareness of the masses, and emphasizing the importance of technology. Moreover, it does not waste working hours and is beneficial to production.

Enterprises that follow the above steps and methods to adjust wages have seen an increase in workers' awareness and improved production. On the contrary, if the preparatory work is not done well, and adjustments are not made through the mobilization of trade unions during the adjustment process, although wages are increased, there is no improvement in production, and workers remain dissatisfied.

Wages are a significant political issue related to production and workers' lives. Adjusting wages must follow a cautious and steady approach. Thorough preparation is necessary before the adjustment, and during the process, it is crucial to mobilize the masses through trade unions to achieve the goal of increasing production and reasonably improving workers' lives.

Finally, it has been verified that, under the unified direction and principles set by the central authority, the policy of gradually adjusting wages by regions before nationwide implementation is correct and achievable. This approach provides a consistent direction while taking into account regional specificity, laying the foundation for a relatively reasonable nationwide wage adjustment and the future implementation of a unified national wage system.

The work of reforming the chaotic and irrational wage system left by the Kuomintang bureaucratic capital is still in its initial stages. There is not much experience, and numerous difficulties and issues have been encountered. There are also shortcomings in the work. However, the wage adjustment efforts across various regions have indeed strengthened our confidence in reforming the old wage system. We believe that with the development of production, the old wage system will gradually be reformed, making wages a significant lever to enhance labor productivity.

This report is limited to the domestic regions and does not include the Northeast, as the wage system in the Northeast has long been unified. They have already begun widely implementing the piece-rate wage system based on the eight-level wage system, progressing further than the domestic regions. The experiences from the Northeast will be presented in a separate report.

Li Lisan

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