11 Wage Differential Policies

1 INTRODUCTION

To begin with it is useful to discuss briefly some of the methodological problems one encounters in conducting research into wage differentials. Naturally the most important problem is what to compare in order to receive a genuine picture of the state of wage differentials. The most frequently used method in the literature is to compare average wages of large groups, say for the whole economy, sectors of the economy or socioeconomic groups. It is obvious that this method is used because figures for such a comparison are readily available, and time-series figures for a comparison of employees' earnings in certain occupations which might give a deeper insight into the evolution of wage differentials are missing. However it must be clear that comparisons with largely aggregated figures can serve only as a rough indication of the direction of development, particularly if they refer to a long period. Namely such figures are usually influenced by factors which are not necessarily a result of changes intended to affect wage differentials. The dynamics and structure of employment have an impact on the evolution of average wages. If the number of employed grows fast, say because of the rapidly expanding employment of women, most of whom in the past were unskilled and therefore belonged to the low-paid groups, this depresses average wages. Statistical figures are not available in such aggregations that an elimination of this influence can be made. The fact that the advances in qualifications are not equal in the figures to be compared is another disturbing element. Despite these shortcomings I will have to use average wages for large aggregates. Further on in the text I will examine intersectoral and intraindustrial wage differentials as well as differentials for socioeconomic groups. The first phase in which dramatic changes in wage differentials came about will be discussed separately with the remaining phases being examined together.
2 WAGE DIFFERENTIAL POLICIES IN THE POST-WAR PERIOD UP TO 1955

The narrowing of wage differentials which started during the Second World War and continued after the war was dramatically accelerated with the advent of the communists to power. It is difficult to demonstrate precisely the profoundness of the changes since appropriate figures for the period when the great changes occurred – from the start of the fight for political power and its seizure by the communists up to 1953 – were officially published only in some countries of the Soviet bloc. Taking 1950, for example, as a base year, as some publications do for lack of proper figures or from unwillingness to face facts, cannot capture the dramatic evolution in wage differentials.

The research work by L. Beskid (1963; 1964) with the help of M. Kalecki indirectly confirms my statement about dramatic changes in wage differentials. Kalecki (1964, pp. 91–101), who summarised the joint research work in his own publication, shows that real incomes of manual workers in Poland increased during 1937–60 by 75 per cent, whereas those of non-manual workers declined to 74 per cent of the 1937 figure. Nominal incomes of non-manual workers in 1937 exceeded those of manual workers by 160 per cent, but this difference had shrunk to 18 per cent in 1960. Since no great changes occurred in the differentials in the period 1955–60, it can be assumed that the dramatic change occurred prior to this time.

In addition, thanks to the work of J. Hron (1968), proper figures are available for Czechoslovakia, and they can to a great degree be regarded as indicative of the other countries. Yet a qualification is warranted, since it is known that Czechoslovakia took the narrowing of differentials to greater extremes than the other countries did.

In 1948–53 a great narrowing of intersectoral wage differentials occurred; this was largely the result of a narrowing of occupational wage differentials, mainly between blue- and white-collar workers. Nominal wages in industry and construction grew faster than wages in the national economy, which necessarily meant that in some other sectors, principally the non-material sectors where white-collar workers prevail (but also in agriculture), wage growth lagged behind that of the national economy (see Table 11.1).

For the non-material sphere only figures for Czechoslovakia and Poland are available. As Table 11.1 shows, in Czechoslovakia in 1948 average wages in education and culture, and health and welfare exceeded the average wages in the national economy by 24.7 per cent