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THE DIRECTOR'S FUND, AN INCENTIVE FOR WORKERS

G. Lerner

The Director's Fund was created to encourage the initiative and increase the responsibility of directors, managers, engineering and technical workers, as well as the entire collective of workers employed at industrial enterprises, in fulfilling production programs, reducing costs, and fulfilling plans for profits. This fund is one of the forms of material incentives for the workers of those enterprises which have achieved outstanding production successes.

A Director's Fund is set up in all state industrial enterprises operating on a cost-accounting basis with an independent balance sheet. These include factories, plants, mines, pits, electric power stations, mills, printing houses, peat fields, timber enterprises, and others, under union, republic and local subordination (including rayon and city industry), and subsidiary industrial enterprises under the transport, construction, trade, and other economic ministries.

There is no Director's Fund at subsidiary industrial enterprises of budgetary and scientific research establishments.

Formation of the Director's Fund

An industrial enterprise which fulfills or exceeds the state plan for the output of commodity production in the established variety or articles, the plan for profits, and the plan for the reduction of costs, has the right to form a Director's Fund. Fulfillment of the plan for commodity production is determined by a comparison of the planned commercial costs of the comparable and noncomparable commodity output actually produced, with the planned commercial costs of all commodity output.

The Director's Fund of an enterprise consists of deductions from profits or from savings realized by a reduction in production costs. These deductions are differentiated and made at a higher rate for enterprises of heavy industry.

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For coal, ferrous and nonferrous metallurgy, petroleum, inorganic chemicals, nitrogenous fertilizer and superphosphate enterprises and for the cement, asbestos, mica and peat industries, deductions for the Director's Fund are made at the rate of 5 percent of planned profits or planned savings from reduced costs and 45 percent of above-plan profits or above-plan savings.

For enterprises of the machine-building ministries, enterprises of the Ministry of Electric Power Stations, the Ministry of Paper and Wood-Processing Industry, the Ministry of Timber Industry, the Ministry of Chemical Industry (except inorganic chemical, nitrogenous fertilizer, and superphosphate enterprises), the Ministry of Construction Materials Industry (except cement, asbestos, and mica), the textile industry and locomotive repair, railroad-car repair, and machine-building plants of the Ministry of Railways, deductions for the Director's Fund are specified at the rate of 2 percent of the planned profits or planned savings and 30 percent of above-plan profits or above-plan savings.

For enterprises of the Ministry of Light Industry, the Ministry of Food Industry, the Ministry of Meat and Dairy Industry, the Ministry of Fish Industry, the Ministry of Local Industry, the Ministry of Local Fuel Industry and also for industrial enterprises of other ministries (including enterprises under republic and local subordination) and enterprises of industry under rayon and city subordination, deductions for the Director's Fund are made at the rate of one percent of planned profits or planned savings and 15 percent of above-plan profits or above-plan savings. At the same time regulations state that the total yearly sum of deductions for the Director's Fund, from planned and above-plan profits or savings due to a reduction in production costs, must not exceed 5 percent of the yearly wage fund of industrial personnel in terms of the actual volume of output of commodity production.

Planned profits include only those profits which are provided for in yearly and quarterly plans. Enterprises for which no profit is provided in the plan, must fulfill the plan for savings by a reduction in costs and a percentage of the reduction of costs of comparable production against the previous year, in order to receive a Director's Fund.

Above-plan profits are determined by the difference between actual profits, as shown in the approved balance sheet of the enterprise, and planned profits. In this case, profit deductions for the consumers' goods fund are taken both from the plan and from the balance sheet. Above-plan savings from a reduction in costs are specified as the difference between actual and planned costs of the enterprise's entire output of commodity production, both comparable and noncomparable.

In practice it often happens that enterprises achieve above-plan profits, or above-plan savings from reduced costs, indirectly, from sources independent of the production phase of the enterprise, such as a change in the price of raw materials or fuel, a change in the price of articles produced, a change in transportation rates, etc. These indirect profits and savings must first be deducted from the total above-plan profits and savings before deductions are made for the Director's Fund.

The final size of the deductions for the Director's Fund is determined by the results of the year's work and the approved yearly accounts and balance sheet of the enterprise. However, to make monetary assets of the Director's Fund available for the extent of the current calendar year, the directors of enterprises are allowed to make advance deductions at the end of each quarter on the basis of the balance of the enterprise and at half the rate of the established norm. These deductions must be approved by the director of a higher-level economic organization. No deductions are made for the fourth quarter since this sum is included in the final account for the entire year.

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As a result of the extensive development of socialist competition for an increase in profitability and the attainment of above-plan accumulations, the financial and economic activity of industrial enterprises is continually improving and plans for reducing production costs are being exceeded. Correspondingly, deductions for the Director's Fund grow from year to year.

It may happen that in practice the sum of the quarterly deductions for the Director's Fund in the course of a year turns out to be higher than the sum indicated by the approved yearly accounts and balance. If this does happen, then the excessive amount deducted is cancelled by the balance remaining in the Director's Fund at the end of the year. If this amount is not sufficient to cover the discrepancy, the difference must be made up from deductions for the Director's Fund for the next year. Until this is made up, no new expenditures are permitted from the Director's Fund.

#### Utilization of the Director's Fund

In many instances the Director's Fund constitutes a very large sum. How, then, should these funds be expended?

In accordance with a government decree, the Director's Fund may be expended in the following way: for the expansion of production; for construction and repair of housing for workers of the enterprise, above capital investment plans at the rate of 50 percent of the deductions; for improving cultural and public services for the workers of enterprises (including the expansion of auxiliary enterprises, children's institutions, equipment for rest homes and sanatoriums, dining rooms and clubs, and supplies for these institutions; and for physical culture activities); for the payment of individual bonuses to workers, employees, and engineering and technical workers; for obtaining paid transportation to rest homes and sanatoriums; and for extraordinary financial aid to the workers.

An estimate of utilization of the Director's Fund must be agreed to by the directors of the enterprise and the factory-plant committees of the trade union. The wage commissions have been designated by the VTsSPS to see to it that the fund is utilized according to the estimate.

The Director's Fund supplements the exceedingly large amounts allocated by the Soviet government for improving the material well-being and cultural level of the Soviet people.

The better the work of an enterprise and the higher the quantitative and qualitative indices of its activities, the more significant are the money savings and, therefore, the larger become the deductions for the Director's Fund.

Take as an example the Second Bearing Plant of the Ministry of Automobile and Tractor Industry. In 1951, more than a million rubles were expended from the Director's Fund of this plant. A considerable part of this money went for the construction and equipment of a club, a pioneers' camp, kindergartens and nurseries, for paid transportation of workers to rest homes and sanatoriums, and also for bonus payments.

The Director's Fund is like a mirror which reflects the economic status of any plant or factory. Every trade-union organization is vitally interested in the establishment and proper utilization of the Director's Fund of its enterprise, since it is an important source of supplementary funds for improving the cultural and living conditions of workers and employees.

The duty of trade-union organizations is to further the development of socialistic competition among workers for the fulfillment and overfulfillment of production programs, for economy in materials, raw materials and electric power,

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and for the accumulation of planned and above-plan profits. It is necessary to explain the significance of the Director's Fund to the workers and employees and to establish strict control over the manner in which it is expended.

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