PROJECT INFORMATION:

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COUNCIL CONTRACT NUMBER: 807-24

DATE: January 11, 1994

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The work leading to this report was supported in part by contract funds provided by the National Council for Soviet and East European Research, made available by the U. S. Department of State under Title VIII (the Soviet-Eastern European Research and Training Act of 1983). The analysis and interpretations contained in the report are those of the author.
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Russia’s Labor Relations:
Consolidation or Disintegration?
Linda J. Cook

Executive Summary
The present paper examines labor relations in Russia from the fall of 1991 to the October, 1993, crisis, with most attention to developments in 1992. The text covers the situation of labor, including: price and wage policies and their effects; employment and unemployment patterns; and the scale of strike activity, major grievances, and terms of settlement. Much attention is given to labor unions, both the reformed official federation (the FNPR) that retained a dominant position and emergent pro-reform independents that challenged the FNPR but remained limited in size and influence. The Yeltsin government’s largely unsuccessful experiment with tripartism is discussed, as is the FNPR’s effective alliance with the Civic Union against Gaidar’s reforms at the end of 1992.

The author concludes that the Yeltsin government’s efforts to maintain labor peace helped undermine the economic reform program while achieving only a temporary stabilization of labor relations. The political crisis in the fall of 1993, which brought the FNPR into opposition to the government, is briefly recounted. Possible futures for Russia’s labor movement, including diversification and development or weakening and disintegration, are considered.
RUSSIA'S LABOR RELATIONS: CONSOLIDATION OR DISINTEGRATION?

Linda J. Cook

INTRODUCTION

From the outset, labor relations in the independent Russian state faced a dilemma: how to maintain labor peace while implementing market reforms. Russia emerged from the Gorbachev period with a mobilized and activist, if somewhat fragmented, labor movement. Protracted and often politicized strikes had done much to destabilize Gorbachev's government, and President Boris Yeltsin sought to avoid further unrest by establishing a "social partnership" with labor unions. At the same time, Yeltsin's government committed itself to a reform program of fiscal discipline and market transition that threatened to impose great costs and hardships on workers, including declines in real wages, decreases in social spending, layoffs and unemployment. For much of 1992, unions and workers struggled to protect themselves from these costs by trying to weaken or delay various provisions of Acting Prime Minister Egor Gaidar's "economic shock therapy." Labor and reform, in short, made contradictory policy demands.

I will argue below that the dilemma was resolved more often in favor of labor's short-term interests. Yeltsin's efforts to maintain labor peace—both the institutional arrangements he made with the unions and the pattern of government concessions to workers' demands—helped undermine the economic reform program, and achieved only a temporary stabilization of labor relations.

THE STRUCTURE OF RUSSIAN LABOR RELATIONS

As the Soviet Union collapsed in the fall of 1991, Boris Yeltsin's government moved quickly to establish a cooperative relationship with Russia's labor unions. In October Yeltsin promised to consult with republic trade union associations before adopting any major legislation on social and economic issues. In a November edict "On Social Partnership and the Resolution of Labor Disputes," he proposed that a comprehensive annual socio-economic agreement be negotiated between unions and government. In January 1992, Yeltsin proceeded to formalize his social partnership with labor by establishing the Tripartite Commission on the Regulation of Social and Labor Relations. The commission, which was
clearly influenced by European corporatist models of labor relations, brought together representatives of organized labor, organized management, and government in a three-sided negotiating structure. It was empowered to review and set wage levels, monitor working conditions, and mediate industrial disputes. Unions were to take a no-strike pledge in return for their role in top-level decision-making. Yeltsin appealed for their cooperation in riding out the initial stages of Russia's economic reform.

The Tripartite Commission was comprised of fourteen representatives from labor unions, fourteen from employers, and fourteen from government. Of labor's seats, nine were allocated to the Federation of Independent Trade Unions of Russia (known by its Russian acronym, FNPR), one each to the Independent Union of Miners and the Independent Union of Civil Aviation Pilots, and three to the little-known Union of Socialist Trade Unions (Sotsprof). Management was represented by the Russian Union of Industrialists and Entrepreneurs (RUIE), most of whose members were managers of large state enterprises, and the Congress of Russian Business Circles, representing managers of commercial banks, insurance and stock companies. The government's share of seats was occupied by officials of state ministries. Yeltsin’s state secretary, Gennadi Burbulis, was assigned to coordinate the commission, and his labor minister from that time, Alexander Shokhin, is known as the architect and major proponent of the tripartite bargaining process.

The FNPR was the successor to the Russian branch of the old official Communist trade unions (the All-Union Central Council of Trade Unions-AUCCTU), in which all Soviet workers were automatically registered. The AUCCTU had adapted remarkably well to Gorbachev's political democratization. It reorganized itself in 1990 as the voluntary Federation of Independent Trade Unions; repudiated its past subordination to the Soviet state; and adopted an activist stance to defend workers' interests. Although FNPR unions suffered from extremely weak rank-and-file loyalty because of their communist past, workers continued to depend on these unions for distribution of social benefits, so most stayed on the membership rolls. So the FNPR was able to claim more than 50 million members (from a total employed labor force of approximately 73 million), and on this basis it promoted itself to Yeltsin’s government as the exclusive bargaining agent for Russia's workers. The FNPR also had established itself in 1990 and 1991 as a "constructive opponent" of government in
the reform process, presenting itself as a union that preferred negotiation to strikes and cooperation to confrontation. The FNPR fit well into Yeltsin’s “social partnership” scheme and even though it was denied the exclusive right to represent workers on the Tripartite Commission, it gained the dominant position.

By contrast, the independent miners’ and pilots’ unions, each given token representation (a single seat) on the Tripartite Commission, were authentically independent products of democratization. The Independent Miners’ Union (known by its Russian acronym, NPG) emerged from the grassroots coal miners’ strike movement of summer 1989 and played a major leadership role in the 1990 and 1991 strikes. The NPG’s influence in the coal basins greatly exceeded its limited membership, (approximately 4 percent of miners). It was from the outset a militant, strike-prone union, given to ultimatums over negotiation. The Pilot’s Union also had established itself through strikes and strike threats. The limited memberships and extreme militance of both unions led Yeltsin to reduce their roles on the commission, while still including them in negotiations. Sotsprof, which gained three seats, was an independent trade union with approximately 250,000 claimed members and an avowed Social Democratic orientation. Established in 1989 and split in 1990, Sotsprof was closely connected with Shokhin and with Deputy Minister of Labor and Social Democratic Party head Pavel Kudiukin. Sotsprof’s representation on the Tripartite Commission, and its influence with the Labor Ministry, far outweighed its size, and prompted protests from the FNPR.

The Yeltsin government intended the Tripartite Commission to be an institutional mechanism to manage, mediate, and diffuse workers’ discontent during the initial stages of market reforms and the commission did contribute for a time to stabilizing labor relations. The commission held frequent meetings, and helped negotiate settlements to several strikes in the winter and spring. However, Yeltsin’s early commitment to social partnership and comprehensive socio-economic agreements placed labor unions in a strong, institutionalized position to resist reform at the policy-making stage. And while they claimed support for market transition, the FNPR, and to a lesser extent the other unions, used their influence over policy mainly to press for social guarantees that would protect workers from the effects of reform policies, usually at the expense of fiscal discipline and other reformist goals.
The Tripartite Commission did more than empower the FNPR; it connected the Union institutionally with a strong ally against economic shock therapy: Arkady Volsky’s Russian Union of Industrialists and Entrepreneurs. In liberal corporatist theory, the government’s representatives are supposed to mediate conflicts between management and workers in the tripartite bargaining structure. In practice, because the Russian state still owned most enterprises and controlled financial and other resources, managers of state enterprises and the unions that represented their workers were less often adversaries than allies in claiming resources and resisting demands from the state. The RUIE continually pressed Yeltsin’s government to maintain industrial subsidies; provide substantial new soft credits; and reduce taxes in order to keep their enterprises, which were in many cases obsolete, inefficient, and unprofitable, afloat in the reform period, thereby protecting workers’ jobs and incomes. Unions and industrialists generally cooperated in efforts to maintain real wage levels, subsidies, and continued high employment levels.

The first comprehensive General Agreement on socio-economic policy, which was signed in late March 1992, illustrates well the policy directions in which tripartism pushed Yeltsin’s government. This agreement followed a price liberalization in January that had freed 90 percent of retail prices from administrative controls. This resulted in an overall rise of prices of 300 to 500 percent, forcing a precipitous drop in real wages. The FNPR had insisted that the state regulate prices for necessities, so the March General Agreement provided for state regulation of a limited range of consumer and energy prices. The government also promised to introduce (by the third quarter of the year) a mechanism for quarterly review of minimum wages, pensions, etc., and to take into consideration changes in the minimum subsistence level. In exchange, the FNPR promised to refrain from strikes on matters relating to the agreement, and management agreed not to lay off workers or close down factories. Price controls and wage and income increases flew in the face of reform goals, and the provision for quarterly wage reviews constituted the first step in the FNPR’s campaign for wage and income indexing. While one can surely see the legitimacy of demands for wage increases in the face of such large price increases, in the end rising wages would contribute to inflation and feed the ongoing wage-price spiral. In any case, wage and
income increases militated against the government's commitment to cut spending, control inflation, and reduce the state's burgeoning deficit.

Even at this point, tensions between the government and the FNPR were fully evident. The Union delayed signing the March General Agreement for several days, protesting that it included insufficient social guarantees, and that reform policies were threatening the viability of thousands of enterprises. It finally signed, but in the following months, Klochkov, the FNPR chairman, periodically threatened to halt his union's participation in the Tripartite Commission; to seek other political allies who would help pressure the government into meeting union demands; and to call for Russia-wide worker protests. In sum, the FNPR's commitment to the tripartite process was weak, and the same would prove true of management. Nevertheless, the commission played a significant role during the first several months of 1992, as will be clear in the following discussions of labor strikes, wages, and employment policy.

LABOR STRIKES: GRIEVANCES AND CONCESSIONS

Compared to 1991, 1992 was a year of relative industrial peace in Russia. Strikes continued, but they focused on economic grievances and were settled quickly. With the exception of the Tyumen oil workers, no one demanded the government's resignation. The protracted, anti-government strikes of 1991 did not reappear, nor did the large-scale social and labor unrest of that spring. In the early months of 1992 the pattern of strikes shifted from the critical energy sector (i.e., coal and oil) to the service sector, which accounted for some 90 percent of strikes in the first quarter. The spring and summer brought a strike wave across many sectors, but the unrest abated again in the fall. Government spokesmen credited the tripartite mechanism with reducing strike activity, and it is true that the commission helped mediate a number of strikes. However, it seems likely that the wage concessions made by Yeltsin's government in the face of strikes and strike threats played a bigger role in damping down unrest. We will consider below the major causes of strikes in 1992, the sectors they affected, and the terms of their settlement.

Workers in the raw materials sector, by far the most disruptive under Gorbachev, continued to present a serious challenge to Yeltsin. In the aftermath of the January price
liberalization, the Independent Coal Miners' Union threatened to strike unless its wages were raised to cover the price increases. In response Yeltsin agreed to triple these wages, essentially "buying off" this most militant sector of the labor force. The miners nevertheless remained restive, demanding that their wages and pensions be indexed to inflation. A second strike by Kuzbass Miners in March was mediated by the Tripartite Commission, and wage concessions were made again. In May, oil and gas workers struck, demanding large wage increases as well as decontrol of oil and gas prices. Their wages also were tripled, and the government agreed to higher energy prices, but not to complete deregulation. The strikes led to sharp reductions in extraction of oil and gas, as well as an ongoing dispute over price levels.

By far the largest number of strikes in the first months of 1992 took place in the service sector, among workers who were paid directly from state and municipal budgets—teachers, medical personnel, municipal transport workers, pilots, and air traffic controllers. These workers in budget-financed organizations were suffering most from the January price liberalization and general inflation, because they had received much smaller wage increases than had industrial workers, whose wages were determined by factory managers. In late January, health care workers in 73 of Russia's 77 administrative regions threatened a strike to protest their 'poverty' wages and inadequate allocations for medical services; the strike was preempted by a 45 percent across-the-board salary increase and other concessions. In late April and early May medical workers and teachers struck in various regions. Schools and day care centers were closed, and medics withheld non-emergency services and threatened to stop all forms of medical assistance. Both demanded that their wages be increased several times to equal the average monthly pay of industrial workers. Again the Tripartite Commission helped negotiate a settlement, and again substantial concessions were forthcoming: although an 80 percent wage increase for all budget-financed employees was scheduled to go into effect shortly, teachers got a 160 percent pay increase, in a combination of wage rates and productivity-linked bonuses and supplements.

As in the past, transport workers also were restive and strike-prone. Both civil aviation pilots and air traffic controllers had established independent unions, and in February both threatened strikes. They demanded indexing of their wages and pensions to inflation:
special hardship status for their profession; and guarantees of property rights during privatization. The government preempted strikes by meeting most of their demands, but pilots' and controllers' unions continued to issue demands and strike threats. Trolley, bus, and tram drivers also struck in various cities. In April they threatened an all-federation transport strike, demanding higher wages and the modernization of their vehicles. Elsewhere, dock workers, agro-industrial complex workers, meteorologists, and undertakers struck. Their demands varied but always including wage increases. In most cases settlements were accompanied by workers' threats to resume the strike if the government failed to deliver on its promises, a testament to low public confidence in that government's efficacy and integrity.

In late spring and summer a new wave of strikes, over non-payment of wages, spread across Russia. Raging inflation (averaging 20 to 25 percent per month) and large wage increases, combined with the Gaidar government's efforts to limit cash emissions, had produced a serious cash shortage. This created disruptions of wage payments in many regions. Protests and warning strikes broke out again among Kuzbass miners, who claimed that the government owed them seven billion rubles in back wages. Nuclear industry workers in Krasnoyarsk, who had not been paid in three months, claimed the right to appeal through foreign news media to the world public for financial aid if their demands were not met promptly. Workers in Novosibirsk, in Kamchatka, and in the Far East struck for back wages, typically claiming two to three months' arrears. Many strikers added other demands, including cancellation of enterprise debts, extension of additional credits, and indexing of both wages and working capital to inflation. The strikes were settled, but disruptions in wage payments continued through the summer.

Delegations from the Tripartite Commission played a role in settling the spring strikes, but the 'social partnership' began to break down in this period. In June FNPR Chairman Klochkov claimed that, "The inability of the Russian Tripartite Commission to regulate social and labor conflicts effectively forces us to look for other ways to tackle urgent problems." The FNPR threatened to call a nationwide strike unless the government provided the cash to pay overdue wages in all regions. The union also demanded that the government protect the population from any further decline in its living standard, and that it guarantee the
solvency of enterprises. The FNPR would seek conciliation with Yeltsin’s government again, but it would also engage in separate negotiations with Volsky’s Union of Industrialists and with hard-line anti-reformist groups; would periodically threaten to violate its no-strike pledge; and, in the fall, publicly demand the dismissal of Gaidar’s government. There is some evidence that the FNPR in fact lacked the authority to call its membership out on strike. In any case it never actually tried to do so, and labor unrest tapered off in the fall of 1992.

**WAGES**

The government’s pattern of deep concessions in the face of strikes and strike threats contributed to increasing wage levels, but it was only one of several factors. Legislated wage increases and those granted independently by factory managements also contributed to rising wages, as did the provisions for partial wage and income indexation to which Yeltsin and Gaidar reluctantly agreed. The cumulative effect was to produce rapid increases in nominal wages. These increases did not, however, result in improved living standards, because consumer prices increased much more dramatically than wages did.

In order to partially compensate for the effects of the January price liberalization and inflation, the Russian government legislated a number of wage increases for specific categories of workers during 1992. In June the minimum monthly wage was increased by 50 percent, to 900 rubles from 600 rubles, and pensions and student grants were raised. In July, the government announced a planned increase of 80 percent in the wages of all those employed in budget-financed organizations. In November the Russian parliament approved a new minimum wage of R2,250 per month. The FNPR remained dissatisfied with these increases, and insisted in the fall wage negotiations that a still-higher minimum, of R3,375 to 4,000, was required for purchase of the minimum consumer basket.

The FNPR also pressed continually for full indexation of all incomes (including wages, pensions, stipends, and other transfer payments) to compensate for price increases and inflation. Claiming that the January price increase had pushed 90 percent of the population below the poverty level, the union included demands for a wage indexation mechanism in all its negotiation packages. The government ruled out full indexation on
grounds that it would lead to hyperinflation, but began moving reluctantly toward partial indexation with the March General Agreement. The June resolution on the minimum wage promised to introduce a mechanism for raising the wage quarterly in order to preclude its lagging more than 30 percent behind future consumer price increases. In July the Labor Ministry confirmed its support for partial quarterly compensation for price increases as well as additional payments to the most vulnerable population groups. In June, Gaidar promised to index 80 percent of unpaid salaries. By the third quarter of 1992 these measures were producing a measurable effect, with wages growing almost as rapidly as prices. New wage regulations that were passed in the fall continued to provide for quarterly upward adjustments to partially offset inflation.  

The cumulative effect of these and other wage increases can be seen in Table 5.1, which shows growth in average monthly nominal (money) industrial wages in the first nine months of 1992.

Table 5.1. Average Nominal Industrial Wage, 1992 (rubles per month)

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>June</th>
<th>Sept</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>1801</td>
<td>2567</td>
<td>3464</td>
<td>3769</td>
<td>4296</td>
<td>5948</td>
<td>8140</td>
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As shown in Table 5.1, the wage rate more than quadrupled over the nine-month period. While industrial wages are somewhat higher than wages for all workers and employees, the overall average showed the same trends, equalling R3,052 per month in April; R3,650 in May; and R4,400 in June. The trend in real wages was, however, quite a different story. As Table 5.2 indicates, real wages dropped precipitously after the January price liberalization, and double-digit inflation in the following months kept recovery modest, despite the nominal increases.

Table 5.2 Real Industrial Wage, 1992 (month to month change in percent)

<table>
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<th>Apr</th>
<th>May</th>
<th>June</th>
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<tr>
<td></td>
<td>-53.2</td>
<td>14.9</td>
<td>11.5</td>
<td>-4.6</td>
<td>2.5</td>
<td>22.5</td>
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Overall, these wage statistics meant a dramatic fall in real wages early in 1992 followed by some recovery. By spring, monthly wage increases compensated for or exceeded monthly price increases, but wages never made up for the initial price jump in January. Though the statistics are inconsistent and unreliable, analysts generally agree that overall consumer prices increased at least twice as much as wages in 1992. So most workers experienced a substantial drop in their real incomes and living standards. These effects were, of course, differentiated for various sectors of the labor force and population, with wages ranging, for example, in September 1992, from more than R10,000 in construction to R4,000 to R5,000 in health and education. Those dependent on state transfer payments (i.e., pensioners) and employees of budget-financed organizations suffered most.

At the same time, aggregate economic output declined faster throughout 1992. Rapid increases in money wages, when taken in the context of declining production, helped feed a wage-price spiral. In short, the government's wage concessions to striking workers and to the unions shored up workers' incomes to some extent, but at the expense of fiscal stabilization. Both inflation and the budget deficit worsened dramatically in the second half of the year, while workers' real incomes remained well below their 1991 levels. Continuing price increases led to demands for further wage increases and indexing of incomes against future inflation. Yeltsin's government could find no escape.

**EMPLOYMENT**

The Yeltsin government's policies of market transition should have produced substantial unemployment as old, inefficient enterprises collapsed, and others began to shed workers and use labor more efficiently, under market pressures. Though the numbers varied, both Russian labor experts and informed outside observers such as the ILO anticipated several millions of unemployed by the end of 1992. In fact, as we can see from Table 5 below, actual numbers of registered unemployed remained quite low, reaching only 518,000, or 0.7 percent of the labor force, by December.
Table 5.3 Registered Unemployed, 1992

<table>
<thead>
<tr>
<th>Jan</th>
<th>Mar</th>
<th>June</th>
<th>Aug</th>
<th>Oct</th>
<th>Dec</th>
</tr>
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<tbody>
<tr>
<td>69,600</td>
<td>118,401</td>
<td>202,900</td>
<td>300,000</td>
<td>367,500</td>
<td>518,000</td>
</tr>
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</table>


Even if we accept the common assumption that these figures seriously underestimate joblessness, they should still tell us something about its scale and rate of increase. While they do indicate that the system no longer provided virtually full employment as in the past, at the same time, as one prominent labor expert remarked, they "clearly do not reflect the massive shake-out of surplus labor that real market pressures would bring."

State sector employment was, nevertheless, declining significantly, but in forms that were not clearly reflected in the figures. First, large numbers of employees were being put on part-time work or sent on extended, unpaid leaves by enterprises that lacked the materials or money to keep them on full time. By the fall such practices had been adopted by one in four industrial enterprises and reportedly affected some two million workers (or 9 percent of the work force), with considerably higher numbers in some regions. Second, a substantial shift of labor from the state to the non-state sector (i.e., cooperatives, leased, joint stock, and privatized enterprises, joint ventures) continued. Overall state employment declined by some 6 million in 1992; only about one million of these workers actually were dismissed, and most of the others apparently moved into the private sector within or outside of their enterprises. Finally, unemployment was a problem in certain areas and for certain sections of the population, including women and first-time entrants into the labor force. Some 70 percent of all registered unemployed were women, and they were disproportionately well-educated, urban, and white-collar.

The Russian government did take steps to create a 'safety net' for unemployed workers. A relatively liberal rate of unemployment compensation was available to laid-off workers who qualified, and the state set up programs for job referral and retraining. In May Prime Minister Gaidar signed a resolution on the provision of public work for laid-off workers who could not find new employment, and in June a law was passed mandating that 1
percent of the wage fund be channeled into unemployment insurance, with the legislation to become effective in 1993. But these measures were universally considered inadequate to manage even the modest levels of joblessness that materialized. Job referral services were available in limited locales and were technically primitive by the standards of Western market systems. They proved incapable of organizing retraining programs or providing information on jobs across regions (an especially critical function since regionally-concentrated unemployment, for example, in large Siberian cities dominated by defense plants, was anticipated.) The 1 percent unemployment tax was considered too little even at the outset. The ‘safety net’ was, in short, weak and porous, while even a much stronger one could have accomplished little in the face of the mass layoffs that anticipated.

That those layoffs did not take place partly demonstrates the relative stability of labor relations. However, low unemployment was premised on continuing government subsidies (industrial managers negotiated an addition R200 billion in April); inaction on enterprise debt; a general softening of monetary and credit policy (with gross indebtedness of enterprises to banks and to one another growing rapidly); and the government’s failure to enact and implement bankruptcy legislation. (Yeltsin pressed for this legislation, but the Supreme Soviet resisted.) Nearly full employment was maintained, moreover, in a context of a 20 percent drop in output for the year and, by summer, higher real wages. This brought into full relief the paradox that high employment and real wage levels simultaneously contributed to and undercut social stability in the context of looming hyperinflation.

Nor were the system’s structural problems with the use of labor addressed: full employment in the existing economy kept much labor occupied inefficiently. There was no mass release of workers to stimulate development of a labor market and rapid movement of labor into the private sector, as World Bank economists urged. Continued subsidies relieved the pressure on the many insolvent and and poorly-performing enterprises without providing either sufficient means or incentives for them to modernize and improve efficiency and output quality. The Yeltsin government effectively left in place the fundamental problem of Soviet industry that reform had been intended to resolve...the thousands of inefficient, overstuffed, obsolete production facilities that tied up labor, investment funds, energy, and materials.
LABOR, DEMOCRACY, AND REFORM

It should be interesting at this point to consider the relationships among labor, democracy, and reform. Gorbachev had clearly believed that democratization would provide popular support for economic reform; it was partly for this reason that he opened up the Soviet system to societal organization and participation in politics. Yeltsin could claim...much more clearly than Gorbachev...an electoral mandate for reform. When he was elected president of Russia in the spring of 1991, Yeltsin was well-established as a proponent of radical economic reform (specifically, the Shatalin or 500-day Program, which Gorbachev had rejected as too extreme). Yeltsin, however, inherited a system in which labor was already mobilized politically, as both old official and as new unions, and experienced at pressuring and bargaining with the state. At the same time, the institutional mechanisms for managing and moderating labor's demands were weak; workers regularly ignored restrictions on their right to strike and legislation requiring that their grievances be submitted to arbitration. Moreover, since the state still owned and controlled most of the economy, workers generally considered it both responsible for their well-being and financially capable of meeting their demands. Yeltsin's state lacked both the repressive controls of its authoritarian predecessor and the labor management mechanisms of established democracies. Nor could it appeal to the market and hard budget constraints to insulate itself from political responsibility for wage and employment issues. In sum, the new Russian state's capacity to manage labor's demands was weak.

Yeltsin needed to find a way to impose costly reforms on newly-empowered workers. His approach, understandably enough, was to try to incorporate the more moderate and cooperative unions, i.e., the FNPR, into the state, while trying to reduce the political influence of the militants, i.e., the miners, pilots, etc. However, as we have seen, though the FNPR mouthed qualified support for reform policies, it used its privileged access to protect its massive membership from the inevitable effects of reform. In fact, Yeltsin shored up the position of the FNPR, which was held in low esteem by the vast majority of its rank-and-file, by making it the state's designated representative and bargaining agent for labor. The FNPR's main resource was its near-monopoly over the distribution of social benefits to workers. Its dominance in the Tripartite Commission placed the FNPR in an
advantaged position to secure and distribute additional state benefits, and to set itself up as
the effective defender of workers in the reform process while excluding most other real or
potential bargaining agents. The FNPR had little incentive to support reform policies, and
strong incentives to protect its rank-and-file against layoffs and falling incomes.
Democratization had forced the old unions to became responsive to the interests of their own
memberships, and the FNPR’s conception of those interests was highly conservative and
status quo-oriented. Essentially, the tripartite process empowered a conservative union that
could stand only as an obstacle to reform; linked it with an almost equally anti-reform
managers’ union; and placed both at the center of socio-economic policy-making.

Even if the Tripartite Commission worked to undermine reform, though, it might
have constituted an institutionally stable mechanism for state-labor-management cooperation.
But both the FNPR and the RUIE proved to be equivocal in their commitment to the
tripartite process. By summer each was seeking alliances and means of access to the policy
process outside the state. Volsky’s RUIE allied with other conservative political parties to
form the influential Civic Union, which has sought successfully to strengthen its influence in
the largely anti-reform Supreme Soviet and to articulate a distinct, more moderate reform
agenda of “regulated transition to the market.” The FNPR, meanwhile, allied briefly with
the Civic Union (indeed, Volsky once threatened to join with workers’ organizations to
“bring the economy to a halt” unless the government backtrackd on reform and fiscal
discipline), rather than with a more hard-line anti-reform managers’ association. Frustrated
with the uncompensated decline in workers’ real incomes, the FNPR’s leadership condemned
the tripartite process as ineffective and sought other means of political influence. Thus,
neither has respected the conditions of Yeltsin’s ‘deal’...privileged access in exchange for
structured cooperation and the promise to maintain industrial peace.

The Yeltsin government also proved very vulnerable to the strikes and strike
threats of workers in the democratized polity. It placed priority on settling strikes quickly,
usually by means of wage and other concessions, and often with the mediation of the
Tripartite Commission. Workers and trade unions regarded the state’s resources as highly
elastic. More important, the managers and industrialists who would have driven a hard
bargain with labor and claimed hard budget constraints on wages in a market system were
generally on labor's side in demanding resources from the state. And the Russian working class is stronger than its Western counterparts in a sociological sense, because most workers remained in 'traditional,' factory-based material production; they have not dispersed to any significant extent into service and high-technology sectors, as in the West. Most strikes led to costly concessions for particular sectors, while the spring strike wave over non-payment of wages contributed to the Gaidar government's effective abandonment of its fiscal austerity program.

Still, when we consider that most of the Russian labor force experienced a significant decline in its real income in 1992, strike movements were actually quite limited and mostly concentrated in a few sectors: social services, transport, and raw materials. The reasons for militance in these sectors are specific to their workers' conditions and opportunities. As employees of state budget-financed organizations, workers in health and education struck in 1992 over their extremely low wages. As employees in state budget-financed organizations, they had seen their wages stagnate while industrial workers gained large increases from their managers and prices skyrocketed. After the January price liberalization, health and education sector wages stood at a fraction of the cost of living, while modest promised raises remained months in the future. Even after strike concessions, workers in these sectors remained at the bottom of the wage scale. Transport workers are, by contrast, comparatively well-compensated. They strike because their collective threat to paralyze public transport has usually been effective in wresting concessions from municipal and other governments.

Coal miners, the most militant and organized sector of the Russian labor force, have a history of unrest that began with their national strike in the summer of 1989 and continued with protracted political strikes in 1990-1991 that helped bring about the downfall of Gorbachev's government. Miners, in the former Soviet Union as elsewhere, tend to militance in part because they live in isolated settlements and perform hard, dirty, dangerous work; both conditions contribute to their sense of solidarity and shared grievance. It has also been argued that, in the Soviet case, the comparatively high wages of miners drew many educated men to the pits, and that this substantial group of worker-intelligentsia played a major leadership role in the strikes. Finally, miners share with other workers in raw
material sectors (oil and gas) a realization that their product, unlike much of the
Soviet/Russian economy’s output, has value on international hard currency markets. Despite
wage levels that were many times the national average, (many miners were earning R30,000
per month in the spring of 1992, for example), workers in all three sectors have struck
repeatedly to demand a share in that value."

For the most part, then, workers’ use of their democratic rights to lobby, bargain,
and strike have detracted from economic reform. In the industrial sector, the groups that
were organized and mobilized in the system...both labor and management...saw their interests
for the most part in avoiding austerity policies, plant closings, and industrial restructuring,
and they used their influence to resist these policies. Yeltsin’s efforts to co-opt these
organizations did not produce any significant redefinition of their interests or moderation of
their tactics. The Civic Union talked about a more gradual, ‘regulated’ transition to the
market, but spent most of its energies building alliances against reform.

There was pro-reform sentiment among some groups of workers and labor
activists. The official metal workers’ union split from the FNPR to support Gaidar’s reform
policies. Again, the structure of opportunity played a central role: many metal workers
believed that the enterprises in their sector, which had been privileged for investment under
state socialism, were potentially profitable and could benefit from reform. Coal, oil, and gas
workers also supported some aspects of the reform program, including the removal of state
price controls from their product (a demand they shared with the IMF) and self-management
rights. Still, their strikes brought costly concessions that were detrimental to other reform
goals. Sotsprof was sympathetic to reform, as was Boris Kagarlitsky’s Party of Labor,
which gained the support of the influential FNPR-affiliated Moscow Trade Union Federation.
Kagarlitsky proposed that government subsidies be firmly linked to factory modernization
programs, with workers participating in the programs’ design and implementation. Some
workers took initiative in schemes to modernize their factories and improve efficiency.
Most, however, behaved defensively in the face of Gaidar’s program and looked to their
managers to protect them from declining income and unemployment.

Largely as a consequences of these pressures, Yeltsin’s labor policy has been
confined mainly to temporary, piecemeal responses to immediate problems. His policies
have facilitated substantial development of the private sector and movement of labor into more entrepreneurial (and, one hopes, more efficient and profitable) endeavors, and this should surely be counted as progress toward the goals he set. However, his government has made little progress in creating the infrastructure for a functioning national labor market, or even for significant interregional labor mobility. It failed to address the fundamental structural problems of industry, or to halt a drastic decline in output. Nor did it manage to enforce wage and income constraints, or to control inflation.

Most important, the combination of policies that Yeltsin's government used to avoid labor unrest could not be sustained for long. These policies provided nearly full employment in the context of declining output and rapidly-rising nominal wages. Employed workers were obviously producing less for nearly the same money, and would thus inevitably find less to buy with their wages. The result would be (indeed, has been) an uncontrollable wage-price spiral. The private sector has compensated for the output shortage to some extent, but only at the very high prices that the still semi-monopolistic market will bear. The Yeltsin-Gaidar government sought to control this spiral by limiting cash emissions early in 1992, but, as we have seen, a combination of strikes, and union and parliamentary opposition defeated that effort. With the leadership unable to either reduce employment or constrain wages, the result could only be continued inflation, leading to renewed demands for wage increases and general discontent and hardship.

In sum, then, the Yeltsin government in 1992 did achieve a temporary stabilization of labor relations, preventing further descent into the socio-economic and political chaos of 1991. But it was able to do so only at considerable expense to its reform agenda and its control over socio-economic policy-making. Further, it failed to establish either policies or institutional mechanisms for long-term stabilization. The tripartite mechanism facilitated the efforts of both organized labor and organized management to block Gaidar's reform program. At the same time, neither the FNPR nor the RUIE was fully committed to that process, nor fully agreeable to its constraints. Limited progress was made in creating a 'safety net' that could ease transition to the market; most of the government's efforts and resources were needed to respond to current demands. Finally, the set of policy
concessions that Yeltsin’s government made to maintain labor peace were not viable in the long term, with or without transition to the market.

**LABOR RELATIONS AND RUSSIA’S FUTURE**

Is the future of labor relations, then, tending toward integration or disintegration? The picture seems mixed. On the one hand, the policy of economic shock therapy seems to have been seriously damaged at the December, 1992, Congress of People’s Deputies, which removed Gaidar and limited Yeltsin’s powers. The new prime minister, Viktor Chernomyrdin, has been closely associated with the Industrialists’ lobby, and might be expected to moderate reform and present fewer challenges to labor’s interests. In fact, though, Chernomyrdin’s attitude toward reform has been contradictory and ambiguous, while much of the remainder of Gaidar’s reformist cabinet remains in place. It is difficult to assess whether and to what extent the reform will go forward, the more so because of the disarray at the top of the political system.

The situation of the FNPR is also ambiguous. On the one hand, the FNPR has seen its first serious defection (the metal workers’ union), and some disaffection on the part of its large Moscow branch. The FNPR’s prerogatives have also been challenged...by the government, which tried unsuccessfully to amend the Labor Code to allow managers to dismiss workers without trade union approval, and by other unions, which have challenged the FNPR’s monopoly on distribution of social benefits and rights of representation in enterprises. So far these challenges have been unsuccessful, in part because the FNPR has defenders in the Supreme Soviet, but some are also being pursued through the courts. On the other hand the Tripartite process, which seemed near collapse toward the end of 1992, has been revived with even stronger representation (the critical two-thirds of labor’s side) going to the FNPR.

The issue of future stability now rests on whether this new government will find effective policies to stabilize the economy, and whether the political system will overcome its present crisis of constitution and authority. In both cases, one can offer only informed speculation.
Because the RUIE, the Civic Union, and others opposed to Gaidar's reforms spent most of 1992 trying to block the government's policies, it is unclear what kind of positive program they might attempt, if they indeed gained dominant influence in Chernomyrdin's administration. Virtually no one wants a return to central planning, least of all industrial managers who have gained much autonomy and control over their enterprises in the reform process. At the same time, the Volsky and the industrialists favor a large, ongoing state role in the economy. They could conceivably make the state a somewhat effective instrument of modernization in the defense and heavy industrial sectors, while allowing privatization to continue in other sectors. The state could target subsidies and bank credits to fund conversion programs, and ease out hopelessly obsolete factories. Workers would still suffer unemployment, but the impact would be moderate and probably manageable. Such conversion programs are rife with technical, resource, and management problems, and have not been very successful in the past; but the situation now is more desperate, and the managers arguably may gain the power to design and carry out a comprehensive policy. If they fail in this and the economic decline continues at its present rate, labor discontent is likely to escalate as living standards decline. If economic shock therapy is seriously implemented, a significant level of labor discontent seems unavoidable.

There is another, larger question: whether Russia's present central government will be able to govern effectively at all. The ongoing dispute between Yeltsin and the parliament over power, prerogatives, and the constitutional bases of authority is extremely damaging to the position of the national government. Centrifugal forces are rife throughout Russia, with non-Russian ethnic groups pressing for autonomy; regional governments controlling their own economic and financial policies; and resource-rich regions claiming ownership of their raw material deposits. If the central government continues to waste time and energy in internal bickering, its capacity to make and implement policy will erode further, while regionalization of power and policy-making will intensify. In this case, we would be dealing with a little-known group of policymakers armed with scant knowledge and facing diverse resource bases and opportunity structures.

The potential consequences of such a development for labor and labor policy are complex. First, the position of workers could became quite disparate in different regions.
Workers in raw materials sectors (especially oil and natural gas) could find themselves in quite privileged positions, since their regional governments would be able to earn considerable hard currency resources, and deal and bargain on international markets. Other regional governments, particularly in developed urban areas, might make steady progress toward privatization and large concessions to attract foreign investment. Remote provincial cities built around large, obsolete factories that depend heavily on the central government for subsidies would suffer, by comparison, and endure all the negative effects of radical reform with no Moscow-sponsored safety net. In short, some workers would gain while others would lose; disparities would widen; and patterns of discontent would become more diverse.

In this scenario the forms of labor organization would shift. The FNPR would become less important and largely autonomous sectoral regional and local labor unions would design their own policies on the basis of local conditions. The tripartite process, as a national level bargaining mechanism, would become ineffective and increasingly irrelevant as central political authority declined. Labor as a political force would become fragmented and weakened. Unions would likely become less capable of defending workers' interests in full employment and income maintenance, and, by the same token, less capable of blocking market reforms.
NOTES


2. For a report on the first congress of the Russian Union of Industrialists and Entrepreneurs, see Izvestiia, Jan. 13, 1992, pp. 1, 2.


4. At some points the FNPR claimed as many as 65 million members; see Izvestiia, Apr. 6, 1992, p. 2; lower figures of 55 million to 60 million were also cited at various points; for total employed labor force see PlanEcon Report 8, no. 37 (Oct. 7, 1992): p. 14; for background on the FNPR and its predecessors, see Walter D. Connor, The Accidental Proletariat. (Princeton. New Jersey: Princeton University Press, 1991): pp. 290-302.


7. For the terms of the General Agreement see Izvestiia, March 27, 1992, p. 1.


12. FBIS:SU, May 18, 1992, p. 31; the government reportedly raised miners’ wages to some R30,000 per month, twelve times the national average.

13. See Rossiskaia Gazeta, June 3, 1992, p. 1. It might be added that the oil and gas workers shared with the radical reformers and the IMF a desire to deregulate Russian energy prices, a measure that would have forced down domestic consumption and increased marketing abroad. Yeltsin’s government, however, feared the consequences of deregulation for domestic consumers, especially industry.


21. See, for example, Izvestiia, Jan. 13, 1992, p. 2.


23. For average monthly wage figures see Izvestiia, June 27, 1992, p. 2.


26. See, for example, the interview with the chairman of the Russian Ministry of Labor’s Committee for Employment, who projected 3.5 million to 4 million unemployed by the end of 1992; FBIS:SU, May 5, 1992, p. 31, citing MosTel, Apr. 29, 1992; for ILO projections of 10 million to 11 million unemployed by year’s end see Philip Hanson, “The Russian Economy in Spring, 1992,” RFE/RL Research Report 1, no. 21, May 22, 1992, pp. 27-29.


31. Teague, “Russia’s Industrial Lobby.”

32. On the structure and ‘consciousness’ of Russia’s working class, see Connor, Accidental Proletariat.


34. For an interview with Boris Misnik, chairman of the metal workers union, see Trud, Oct. 31, 1992.

