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# **Trade Unions in Transitional Russia -Peculiarities, Current Status and New Challenges-**

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# Trade Unions in Transitional Russia<sup>\*</sup>

- Peculiarities, Current Status and New Challenges -

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## **1. Introduction**

Over the last two decades, Russian trade unions have been going through a very difficult period in their development. However, despite all the difficulties and criticisms associated with their work, trade unions still remain an integral part of the social and political system, and one of the most important actors in terms of regulating relations between employers and employees.

This is of special importance for Russia, a country that went through dramatic changes and suffered from the economic and social consequences of transition to market economy. If, during the 1990's, the majority of the population saw themselves as victims of the transition to capitalism, in the new millennium they have the opportunity to realize all the advantages and disadvantages of living in a market economy and the consequences of their country joining the global economic system.

Looking back we can undoubtedly say that the trade unions still suffer from the so-called illness of "adaptation to market realities", although it should be noted that, in the mean time, the "patients" (trade unions), the illness, the methods to cure it as well as the recovery period have all changed. We can identify different stages of trade union development, each of which is related to changes in the economic and social system of Russian society.

## **2. The Soviet Period**

Since the beginning of the Soviet period, trade unions have operated functions that, in many other countries, are carried out by state institutions. During Stalin's reign (1930's), trade unions managed the social insurance budget, monitored labor protection and occupational safety and distributed free apartments. During the after-war period (1950-60's), the trade unions managed the majority of health centres, holiday facilities and other national resort institutions. Subsequently, they obtained the right to control social and labor activities of all enterprises and issue orders to eliminate violations. In the 1970's, the trade unions were granted the right to run not only labor, but also legal inspection in companies. By the middle of 1980's, Soviet trade unions were delegated the supervision of the entire social and labor sphere. The joint decisions taken by the USSR government, Communist Party and the Central Trade Union institutions automatically became standard acts and directives of the Party and trade unions. By the beginning of 1990's, the trade

unions' had 6500 employees devoted to technical inspection of labor<sup>1</sup>. Control of working conditions was carried out by 4.5 million people that were members of professional committees. Another 36,000 people were part of different levels of the trade unions that monitored compliance with labor legislation.<sup>2</sup>

Carrying out the functions of state institutions was part of the program aimed at attracting larger numbers of employees to discuss and solve daily labor and social issues. However, in essence, this was a simple division of responsibilities between different state departments. This process continued during "perestroika" (the Gorbachev period) and was carried out under the slogan, "building socialism with a human face". By the time, market reforms had started and trade unions were part of the state bureaucracy in its full sense.

At the beginning of 1990's, the trade unions had created a very large material base. They owned funds totalling 9 billion roubles. Trade unions ran and supervised sanatoriums, around 900 tourist organizations, 23,000 clubs and culture centers (palaces of culture), 19,000 libraries, about 100,000 pioneer (scouts) camps and over 25,000 sport organizations.

The trade unions filled a certain niche in the Soviet system. Their position in society was dictated by the ideological values of Soviet times. The trade unions translated these values into life at enterprises as in a "school of communism". Besides ideological functions, the trade unions fulfilled other functions. At a typical industrial enterprise, the trade union committee would fulfil about 170 functions dealing with basically everything, starting from negotiating salary raises and ending with pioneer camps and sanatoriums. The area that the Soviet trade unions were dealing with least of all was the protection of rights and interests of employees. The protective functions (labor protection, monitoring occupational safety regulation and labor legislation) were carried out together with state and economic institutions. Although this collaborative work did hold some place in the framework of trade union activities, it was marginalized compared to the production and distributive functions of the trade unions.

The power of the trade unions was built on their representation: they were present in all enterprises, almost all employees were members of trade unions (99%) and the management was also part of the trade union of their enterprise.

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<sup>1</sup> There was the special division within TU called "Technical division for labour (actually – working condition issues)". The number of employed in that institute was 6500 people. Actually all of them represented TU bureaucracy on different levels: federal, regional, local, who controlled labour and working conditions at enterprises

<sup>2</sup> Trade Union History in Russia. M. 1999, pages 298-299.

### **3. The Beginning of Market Reforms, 1991-1994**

This marked the period of drastic change to the existing system and institutions (liberalization of prices, privatization of enterprises), global changes in Russian industry, and a dramatic and painful adaptation of the population to these changes. The decline in commercial production that began already in the “Gorbachev period” and the rupture of economic ties with former USSR republics made Russian enterprises face problems they never dealt with before: a shrinkage of the consumer market and sales volume in the internal Russian market as well as outside (and first of all in Commonwealth of Independent States (CIS) countries), and growing deficit of financial resources for internal and external payments, which in turn led to mutual debt among enterprises, growth of “bartering”, and no resources to buy raw materials, or replace and purchase equipment.

The unemployment rate did not grow as fast as reformers expected. However, the real scale of unemployment during this period was much higher. Officially the concept of unemployment was announced only in 1991 when the Employment Law was passed. In Soviet times, unemployment was officially prohibited. The adaptation of all population categories to the new phenomenon of “unemployment” was very painful: the population denied this status at a psychological level (“it is shameful to be unemployed”), and the officials of the employment services set up in 1991 were assigning this status to people very unwillingly (Soviet tradition had it that only a lazy person could be unemployed and he/she should be punished rather than helped). Thus, both sides were treating the unemployment factor as something strange and unacceptable for Russia, something that was brought into the country and was referred to as “the birthmark of capitalism”.

At the beginning of the market transition, two main positions were formed in relation to the future of the trade unions in the new Russia. The first united advocates of the notion to create new “free” trade unions, an alternative to the Soviet variant. This position was supported by young reformers and the new political elite. The core of these alternative trade unions was supposed to comprise the trade union leaders that appeared during the protest movement at the end of the 1980’s. Since these alternative trade unions were formed “from below”, by the employees themselves, they opposed the traditional functions of Soviet trade unions. Besides leading the protest movement, the alternative trade unions also fought for the protection of rights of individual employees and labor committees; a new practice for the trade unions.

The second position was to reform the existing traditional Soviet trade unions. Its advocates—mainly the trade union bureaucracy of the Federation of Independent Trade Unions of Russia (that

is, the FITUR, or the continuation of the All-Union Central Council of Trade Unions)—wanted to gradually adjust the goals and aims of the Russian trade unions to the main principles of international trade unions. We can say beforehand that neither this (the first nor the second position were not realized for different reasons.)

The traditional trade unions formed the new trade union concept wherein the protective function was made primary and the main principle was declaration of independence from the state and political institutions (that is, rejection of the ideological function). However, implementing this principle turned out to be a difficult task. The economic crisis that occurred brought the majority of Russian industrial enterprises to the brink of bankruptcy, and forced the trade unions to unite with the management teams in order to save the companies.

Trade unions and directors of enterprises were in favor of changes and corrections to economic policy (the so-called “directors’ strikes”). The decline in living standards of the population after the total liberalization of prices made the trade unions declare that their primary goal was the fight for social protection mechanisms of employees as well as for social groups whose income was fixed by way of pensions, benefits, stipends, which again was not in line with trade union activities.

The beginning of the 1990’s is a short period in the history of trade unions when they clearly opposed the government and made attempts to resist liberal reforms. They were faced with a difficult choice at this time. On the one hand, in order to retain their status, they had to protect the interests of their members more actively. On the other hand, having chosen this road, they risked become useless to the state. For the still highly bureaucratic trade union staff that was used to mainly just distributing the resources (and not protecting the employees’ rights), this drastic change was highly unwelcome. Besides, it should be noted that in fact the FITUR (on federal/national level ) looked like a group of holdings that owned hundreds of real estate objects, which made the FITUR one of the biggest property owners in the country. The threat of this property being nationalized or just privatized by way of free sale turned into a powerful means for the state to influence the FITUR.

The very issue of trade union property and resources of the social insurance system lay at the heart of the disagreements that rose to the political surface. The “alternative” trade unions did not have access to these resources and fought for their rapid nationalization. The question of state influence over social insurance structures became one of the lines of conflict between the Government and the FITUR. The new Russian power structure was very much tempted to solve this problem in a radical way. The only thing that stopped this from happening seems to have been

the difficulty in creating an effective state social insurance system during the first years of the reforms. Only in the autumn of 1993, when the management of the traditional trade unions did not support the President, was an Act passed to “take the Social Insurance Fund away from trade union supervision”<sup>3</sup>. In 1994 the state took over monitoring of working standards, a task that had been a typical function of the Soviet trade unions<sup>4</sup>. When the new Constitution of the Russian Federation came into force (1993) trade unions lost the power of initiating laws, which they were granted in 1970.<sup>5</sup> Thus, in accordance with changes in the legal framework a clear division of responsibilities appeared between trade unions and the state. The main resources of trade unions were taken away and their rights and tasks in the sphere of social insurance and labor protection were limited to the functions of public control.

Having lost the “driving seat”, post-Soviet trade unions’ activities lost focus, which soon resulted in a strong ideological crisis at the beginning of 1990’s. However, after a while, the traditional trade unions reinstated their dependence on the state by taking up the role of the systematic (allowed) opponent of the “anti-population” course.

Strengthening of state institutions resulted in the trade unions losing their positions at all levels of negotiations. The FITUR management was no longer making any attempt to shake up their members (the large-scale events that the FITUR would organize for some purpose did not count<sup>6</sup>). The main interest of the top trade union managers was to find their place in the new power structures and to make trade unions an institution in the state system, becoming the so-called “social manager”.

Thus, the contradiction between the historical role of the trade union as part of the state and its role as the protector of the rights and interests of its members was resolved, but not in the favour of TU as the protector of worker’s rights. Trade unions chose the direction of “constructive cooperation” with the power structures, gradually taking the niche of the official pro-state organization that they were used to. The traditional trade unions (FITUR) took the position of institutions of “social partnership”, the Russian variant of which was in essence a kind of

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<sup>3</sup> RF President Act of 28.09.93 "About the Fund of Social Insurance of the Russian Federation”.

<sup>4</sup> RF President Act of 04.05.94 "About the State Monitoring and Control over the Compliance with the RF Law in the Area of labor and Protection of Labor”

<sup>5</sup> Some administrative regions of Russia retained the right.

<sup>6</sup> I mean such events as peaceful May demonstration, demonstrations as a support for some official policy decisions. Such demonstrations look like a “mass people walking” for pleasure). There are no effect from such activities, this is only the image of TU activity

agreement between the trade unions and the state system—the trade unions took over the guarantee to preserve social stability in return for the right to take part in forming and running social policy. Thus, social partnership became a means for trade unions that gave them the opportunity to hold on to political functions compared to those during Socialism. Until then, the operational code of the traditional trade unions was such that problems were solved not with employers, but more often with the state that implemented economic and social policies. Trade unions were being consulted and even financed, and for this very reason they guaranteed the loyalty of employees and as such secured the peaceful advance of the reforms.

The fate of the “alternative” trade unions who became competitors of the FITUR also turned out to be rather sad. At the beginning of the 1990’s, their active protection function was fulfilled alongside the fight for the social heritage of the FITUR which included the social insurance resources. After 1993, the insurance funds of all trade unions were handed over to the state and, in this way, the majority of the “new” trade unions also lost their own insurance resources. The drop in mass protest at the time brought the majority of the “alternative” trade unions to the verge of collapse. A number of them ceased to exist and others moved toward the traditional ones. Some of the largest alternative trade unions managed to form a bureaucratic structure creating a distance between them and employees’ interests, but closer to political circles and state structures that gave them hope of getting power soon.

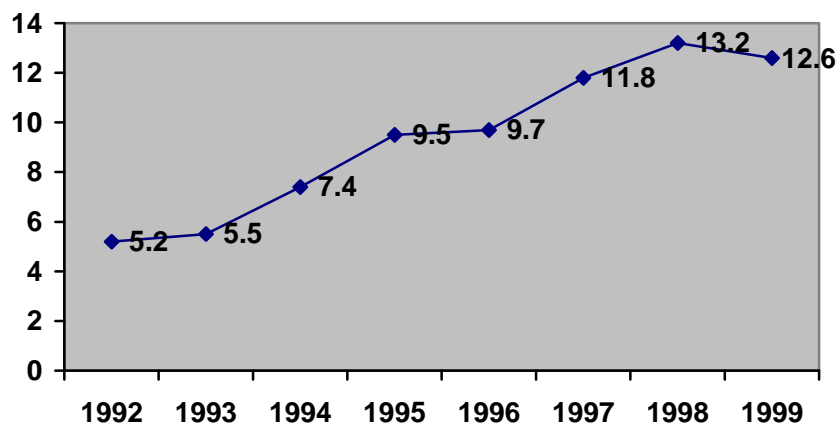
The small “new” trade unions also found themselves in a predicament, while the mass “traditional” ones monopolized the role of representing the employees at all the levels of social partnership (federal, sectoral and at the level of each enterprise). Many of them started joining different organizations that began coordinating their activities and fulfilling representative functions in relations with the state. This characterizes the tendency of the adjustment of the new trade unions to the system of re-distribution of state functions. Thus, with time, the contradictions and differences between the “new” and “traditional” professional committees began to level out. The “new” trade unions, with the exception of the most radical ones, also started coming back to the traditional trade union functions. This was much more difficult for those professional committees who no longer had “access” to power than for the traditional ones. The problem of the new trade unions lay in the fact that they existed separately and their leaders could not agree among themselves.



#### 4. The Economic Crisis Period, 1994-1999

Compared to 1991 levels, in 1998 GDP was down to 68%, and employment had declined to 16% (from 75.3 million to 63.4 million people). As a result, the unemployment rate grew very fast, reaching its peak in 1998 (13.5%). At the same time, Russian statistics did not show a great difference in the scale of unemployment between regions or within them. If, in 1992, the unemployment rate was over 9% only in two of the 89 Russian regions, in 1995 it grew to 45 and in 1998 to 75 regions; in 37 regions this indicator was higher than 20%.

**Figure 1.**  
**Unemployment Rate in Russia, 1992-1999, %**



It was exactly during this period that radical changes were made to the national employment structure. These changes affected economic sectors as well as forms of property. The number of employed in the private sector (which grew from 16% in 1991 to 61% in 1998) and the service sphere started growing.

By the mid 1990's, it became clear that "shock therapy" had not provided the results that the reformers were expecting: market mechanisms ("natural market power") had not started working. The reformers initially thought that the privatization of state enterprises would lead to the appearance of real owners and effective management of enterprises in market conditions. That is why the outburst of unemployment during the first 2-3 years of reforms was possible and inevitable, but then its level should have gradually dropped, since an effective owner should have appeared, who after a short decline would increase production volumes and create new working places. However, mass privatization did not lead to fast restructuring of industry. Production volumes were

going down and the enterprises' problems in the employment sphere were consistently growing and resulted in extreme measures like unpaid forced administrative leave, working without salary and the paying of salary in natural products. The outcome of not solving employment issues was the accumulation of large numbers of employees at enterprises.

In conditions of economic decline, when a large number of enterprises were almost ready to fail, the position of workers was objectively very weak. The risk of losing a job with an enterprise that does not pay salaries or is late with paying was incomparable with the risk of not finding a new job. If, in 1995, the real threat of losing one's job existed for only 20.8% of employees, this had jumped to 48.1% in 1998, and only 5.6% of employees compared to 24.5% in 1995 had the certainty that they would keep their job.

During this period, a tendency was noted among owners to shift responsibility for the poor situation within the enterprise to the employees and the state. Management and trade unions were influenced by this, and saw the solution to their problems not in improving the work of their enterprises—increasing the quality of products in order to make them more competitive—but in getting stronger guarantees in terms of the stability of the enterprise from the state. Our research results show that more than half of the management and trade union leaders (81% and 78% accordingly) thought that the reasons for their problems were the economic crisis and government policy. Only 6% of management and 14% of trade union leaders saw the problem in management's mistakes. Such reasons as low working discipline, large numbers of unnecessary employees and a deficit of professional staff were considered to be of less importance. As a result, the real existing problems within the enterprise were replaced by the opposition of trade unions and management to the state structures with the aim of obtaining finance from the state.

The processes mentioned above took their toll on the position of trade unions within enterprises. A common tendency was a decrease in union membership. The objective reasons for this were:

- The absolute decrease of the employed in the economic area, especially in industry;
- The growth of the private sector "free" from trade unions;
- "Loss" of trade union members in the process of privatization;
- The appearance of the alternative trade unions and move of some employees from the traditional trade union to the alternative unions which usually did not count its members;
- The withdrawal of the management from the trade unions.

Our research shows that only in the manufacturing industry did the number of enterprises that had trade unions drop to 15% (the number enterprises with TU reduced from 100% to 85%) over

the 1991-1998 period and the level of the trade union membership (unionization rate) came down by 20% (from 100% to 80%)(RLFS, 1991-1998).

At the recently created private enterprises, trade unions were not set up. The results of our research show that by 1998 trade unions were set up only at 7% of private manufacturing industry enterprises.

Beside objective reasons, there were also subjective ones. First, a direct ban on the employers of trade unions was established in the private sector, the breach of which could even lead to the initiators being fired. Second, employees' loss of trust in trade unions encouraged them to leave the union.

In this regard, the historical facts should be taken into consideration: In the Soviet centrally managed system, social protection was built into the economic mechanism and delivered at state level. This fact was a great obstacle for economic efficiency, but resulted in social stability that could not be reached in any other system: social guarantees were almost absolute. Thus, employment guarantees were almost unshakable—at the enterprise level it meant a certain employee got a guarantee to keep his job until the end of his/her working life. The centralized system of paying for labor in combination with stable prices created minimal guarantees. Education and health were free of charge. From the social point of view, the drawbacks of this system are very clear. The larger part of the population had to make do with the stable, but minimal choice of benefits and services of high quality. Moreover, the opportunity for choice was almost zero. In this situation, the primary sphere of social support within an enterprise was that which helped the enterprise's employees to get something in addition to the basic minimum guaranteed by the state: getting a free apartment, access to sanatoriums, ability to send children to kindergartens and schools, provision of deficit products and consumer products, etc. Well-to-do enterprises had a chance to give their employees a great number of additional benefits. Their distribution was administered by the trade unions and constituted the main function of the latter.

During the 1990's, despite the radical changes occurring in the social and economic status of hired personnel, the people (trade union leaders, employees and partly the employers) saw the distributive functions as the primary role of trade union work. According to our research of 1995 and 1998, the main reasons for employees turning to trade unions were to get a free trip to the camp or sanatorium or distribution of various benefits (products, food, etc.). Over half of trade union leaders (51% in 1995 and 61% in 1998) considered this to be a normal state of affairs. The employees' requests to the trade unions for help in solving working disputes were treated as secondary to the distribution function. The low level of activity of the trade unions, their

incompetence and often lack of desire in fulfilling the protective functions made the employees (who felt protected by the state before) see that nobody was now protecting their interests and they could only rely on themselves. Such a reply was obtained from 28% of respondents in 1995 and 48% in 1998 during our research. Another fact was also of great interest; almost every fifth trade union leader shared the same position as employees.

Thus, despite the radical change in the social and economic situation, the drastic drop in living standards of the population and social protection in the working sphere, and very slow change to the mechanisms of employees' protection turned the trade unions into a practically inactive institution.

## **5. The Period of Economic Growth, 2000-2008**

The growth of national production after the 1998 default and the beginning of growth in the Russian economy occurred alongside a growing employment rate and a decrease in protest activities in the country as a whole. The strike waves of industry workers (1993-1994) were replaced by the strike waves of employees from the education sphere (1995-1999). The main demands of the strikers were the payment of the delayed salaries that sometimes went alongside political slogans for the President and local authorities to resign.

In 2000-s, certain changes took place in the attitude to strikes of trade union leaders and hired staff. On the one hand, the number of strike advocates from each of these groups doubled. They thought that "a strike is an effective means of fighting for the rights of employees". At the same time, trade unions were more often coming to the conclusion that strikes were useless. The overwhelming number of employees (over 50%) continued to point out the uselessness of strikes as a means for solving their problems. And this can be understood: Trade unions were on the management side during the crisis and fought for state funding, thinking that "a strike can only make the situation at the enterprise worse" and the protection of the employee's rights was considered a secondary goal.

The improvement of the economic situation and decrease in social tension among staff at enterprises created conditions for the "return" of trade unions to their main functions and strengthening of their positions in the social and labor spheres within enterprises. Despite the great losses in trade union members, there was, at the beginning of 2000, quite a large number of employees covered by trade unions; about 60% on average.

This return was due, first of all, to employees beginning to appeal to the employer as the protector of their interests. The growth of the unemployment rate among “white collar workers” of the financial sector who lost their jobs in August-October 1998 (as the result of the financial default), who were looking to the institutions to protect them from mass and very often illegal cuts that went alongside the severe violations of employment law, contributed to that. Partially, it was exactly this that provoked the return to the “trade union idea”, the understanding of the fact that trade unions are the only institutions that can be appealed to during violations on the employers’ side at a time of crisis. The employees’ opinions that “trade unions are not needed” and “trade unions do not influence anything” were changing to ones of “trade unions are needed, but different ones” and “trade unions should protect us from the illegal actions of the management”.

Secondly, by the end of 1990’s, trade unions began to interfere in solving labor conflicts within enterprises, a move that was welcomed by the employees. If, at the beginning of 1990’s, only 5% of employees were solving their labor conflicts with the help of trade unions, then their share doubled by 1999. Another 18% of employees were looking for a protector in trade unions from violations by management, which in many cases was related to unsanctioned firing.

Thirdly, the growth in local production that followed the default very soon made everyone understand that the interests of employers and trade unions are different. The protective function is the prerogative of trade unions rather than employers, and the realization of this function is possible only if trade unions are capable of negotiating with the management and finding compromises.

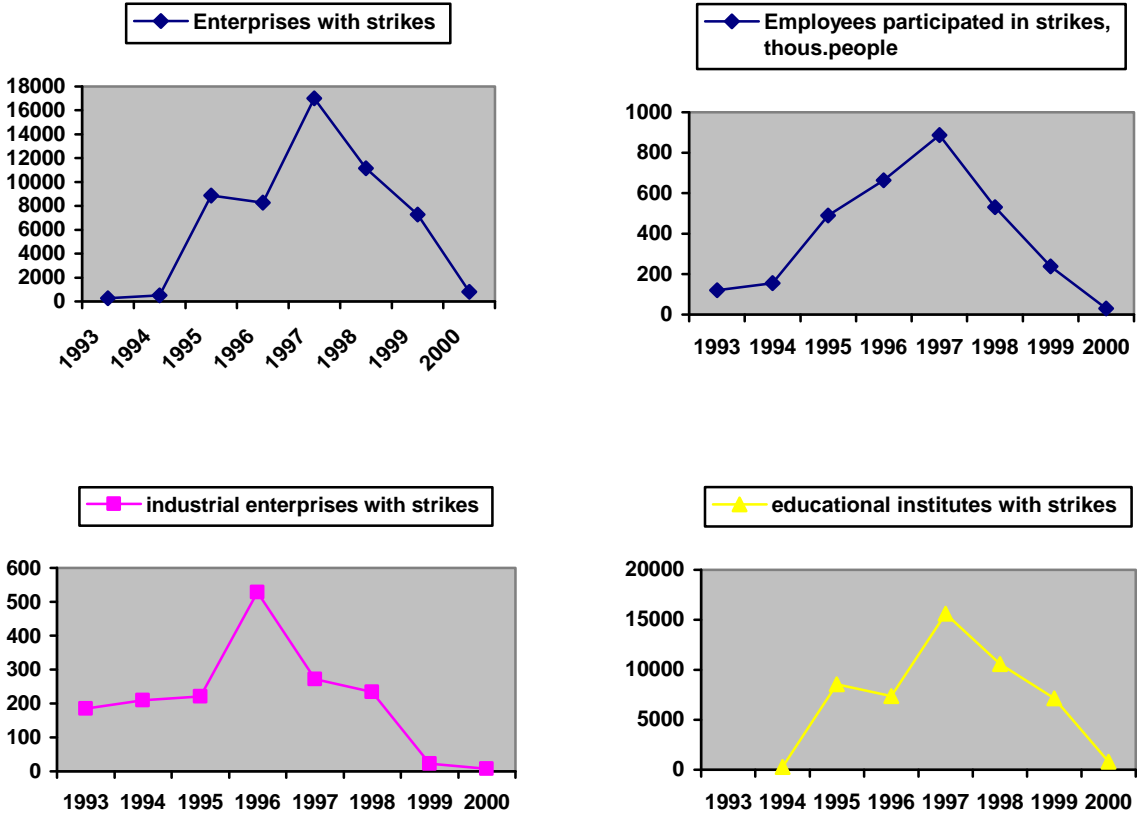
Fourthly, trade unions managed to acquire some experience in acting collectively during the period of economic crisis, and evaluated the consequences not only for the collective but for themselves as well.

And finally, the state took several steps that strengthened trade union positions and defined the sphere of their activities: the new Labor Code was passed, the obligation to sign collective agreements at all enterprises was introduced and a campaign for socially proactive business was launched.

From 2000, large companies were faced with the formation of trade unions. Theoretically, several variants were possible. The first was to create a corporate trade union that would strengthen vertical relations within the trade union and centralization of trade union institutions. The second involved the creation of a Confederation or free association of trade unions in the company. This variant would strengthen the coordination of trade union activities at enterprises while, at the same time, maintaining their independence. Contacting headquarters is not obvious in this model, in the best-case scenario they could communicate with separate representatives. The third variant

stemmed from the opportunity to create a “platform for communication” of trade unions and management at the level of HQ. This meant that the status quo of the existing trade unions would be retained and the mechanism of feedback in the company would be created. Each of the variants had their pros and cons, but at the core of making a choice between them there was the principle that a “radical change of the mechanism of interaction with trade unions was not rational”.

**Figure 2.**  
**Industrial, Educational and Employees Participating in Strikes,**  
**1993-2000 (‘000 people)**



**Table 1.**

**TU Leaders’ Attitude Toward Strikes, %**

|   | 1995 | 1998 | 1999 |
|---|------|------|------|
| Strikes are an effective means of defending workers’ rights | 13.2 | 26.6 | 25.2 |
| Strikes are useless   | 33.0 | 39.4 | 38.2 |
| Strikes only create economic difficulties for enterprises   | 41.0 | 30.0 | 34.4 |
| Others  | 12.8 | 3.9  | 2.2  |

**Table 2.**

**Workers' Attitude Toward Strikes %**

|   | <b>1995</b> | <b>1998</b> |
|---|-------------|-------------|
| Strikes are an effective means of defending workers' rights | 11.3        | 25.8        |
| Strikes are useless   | 52.2        | 50.7        |
| Strikes only create economic difficulties for enterprises   | 25.3        | 19.2        |
| Others  | 11.2        | 4.8         |

The overwhelming majority chose to strengthen the corporate trade union and the lesser number went for the third variant creating an institution managing the collective-negotiating process with trade unions of all enterprises that are part of the same company.

**5.1. Trade Unions and Management: Forms of Interaction**

From 2000 onwards, trade unions in enterprises have gradually adjusted to the new social and economic realities, and new mechanisms of interaction with management have formed. All the nuances of interaction between management and trade unions, according to the traditions of the pre-reform period, easily appeared in a slightly modified way. The understanding by trade unions of their independent role as the protector of the employees' interests in their "friendly argument" with the employer developed even more slowly than the understanding of this role by the employer.

At the same time, practically always—even at the "well-to-do" enterprises—the consensus between the trade unions and management was reached through the voluntary refusal of trade unions to solve some of the important daily issues such as protection of the working place, giving leave and solving concrete conflicts. The dependence of trade unions on the management was noted even by the employers: *"Overall, trade unions do not fulfil the functions they are supposed to. Their functions are aimed at protecting the employee. The Russian trade union in all times (Soviet and now) tends to be closer to the employer"*.

In many companies, employers would like to see a more proactive participation of trade unions not only in the traditional functions that were handed down from Soviet times, but also in fulfilling a mediating role in solving labor conflicts. However, trade unions have not always been ready to take over these additional functions and responsibilities. *"At the moment... trade unions have an easy life" and "In principle the management does not need a trade union. There is no big difference – if there is a trade union or not"*. The opinion that a trade union is not needed is articulated rather rarely. Moreover, in some companies, the employers think that *"you cannot do*

*without trade unions. The set up of trade unions and regulating relations with the management through them is an international tendency and experience”.*

Our research shows that company management and trade unions leaders had the same positions in relation to the trade union’s area of responsibilities. Management was ready to listen to trade unions’ opinions on such issues as formation and distribution of benefits packages, salaries, solving working conflicts such as redundancy, conditions of the social and daily working environment, and development of local labor standards. Questions related to company management and distribution of revenue should not, according to management, be the area of responsibility of trade unions. Trade unions, in their turn, did not want to take part in discussing these areas either, *“If there is an opinion somewhere that a trade union wants to take over a lot, it is wrong. The trade union is taking over just what the management is willing and ready to give to it.”*

At the enterprises where trade unions are active, the managers of social services see in them, first of all, a help in their daily activities that they value greatly and would not want to lose. There are several reasons for that.

First, they consider that trade unions are closer to the employee; they are trusted and, therefore, can collect more information about existing problems. *“Thanks to the trade union we can find out about problematic issues and fermenting conflicts long before the situation becomes critical. And the sooner we find out about the problem, the easier it is for us to solve it”.* Trade unions: *“We are useful for the employer since we are acting as a sort of a “buffer” and help to keep the social peace while not letting the situation reach “boiling point”.* Thus, both sides think that the trade union is able to help solve a problem at the very beginning without it escalating into a conflict.

Secondly, trade unions have their own channels and opportunities for making contact with the management. In large vertically integrated companies, trade unions can sometimes avoid the mediator and raise the attention of management and then the social department in the company’s structure. Very often a similar system to that of 1990’s is generated, when the employer and the company’s personnel united to lobby their interests with the state. Only now it is the management of the company and the trade union that are bonding to solve their issues with the HQ of the company.

Thirdly, trade unions traditionally take over the organization and running of the cultural and sports events and festivals, that is, they help the management support and develop corporate traditions. And finally, trade unions depend on the management in a financial and psychological way (trade unions leaders leaving their post very often receive money compensation “salary” from the employers, very often bonuses and the possibility to use social benefits packages). Often the



company's management is also a member of the trade union and thus has the opportunity to influence the trade union's decisions from within.

During the first years of economic growth, the status of trade unions and their functions and areas of responsibilities were mainly determined by the management of the company and the ability of trade unions to adjust to the changing circumstances. Three styles of relations between the management and trade unions can be identified. The first is "the trade union as a younger brother". This type of interaction prevails mainly in the well-developed companies of the "rich" industry sectors. The second type is "the trade union as a passive observer", which is typical of not very successful companies that find themselves on the edge of collapse. The third type is the "relation of partners based on personal appeal". The fourth type is "confrontation". This type of interaction is relatively new and was born during the strike wave of 2006-2008 in companies with foreign owners, mainly in the automobile and food industries.

## **5.2. Employees and Trade Unions: Expectations and Reality**

If the positions of principle of trade unions and management in relation to the trade union's area of responsibilities were the same, in the relationship "trade union-employee" there was a big gap between the actual role of trade unions and the perception of employees towards TU. Most of the employees still see trade unions not just as an organization that is distributing, but also which provides social benefits and services within the company. Research of 2007-2008 shows that over a third of workers think that they are getting benefits from or "through" the trade unions. Between 50 and 80% of workers turn to trade unions about social and daily labor issues. At the same time, the employees see the main function of trade unions in protecting their rights (42%), rather than in distributing benefits (about 38%). Trade unions realize this goal in practice in a down-sized version:

- *Only about 10% of workers think trade unions can protect their interests;*
- *25% agree to that, but add "yes, but not on all the issues" and "yes, but not for all the workers" ;*
- *In a conflict situation, workers turn to the management more often than to the trade unions.*

The reasons for the differences in the attitude of employees to trade unions are determined by the following factors.

*Age factor.* This includes different generations' values that relate to the peculiarities of socialization in the new or current social and economic system. For young employees who have adopted the values of the "new" times and are not familiar with Soviet labour ethics, there is no

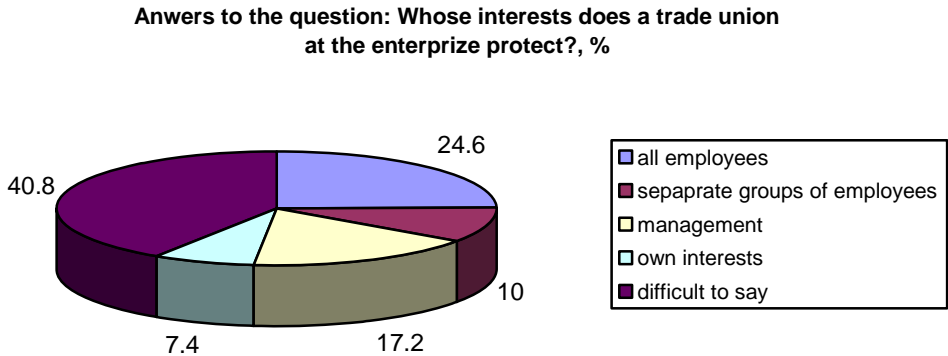
pragmatic reason for joining a trade union (in the form that it exists now). The drop in membership and partial loss of trade union authority can thus be forecast.

*Professionalism factor.* With the growth of the professional status of the employee, the scepticism toward trade unions as protectors of rights grows.

*Communication style.* This pertains to the communication style between the trade union top management and middle management (distance or cooperation). The “distance” style prevails at present.

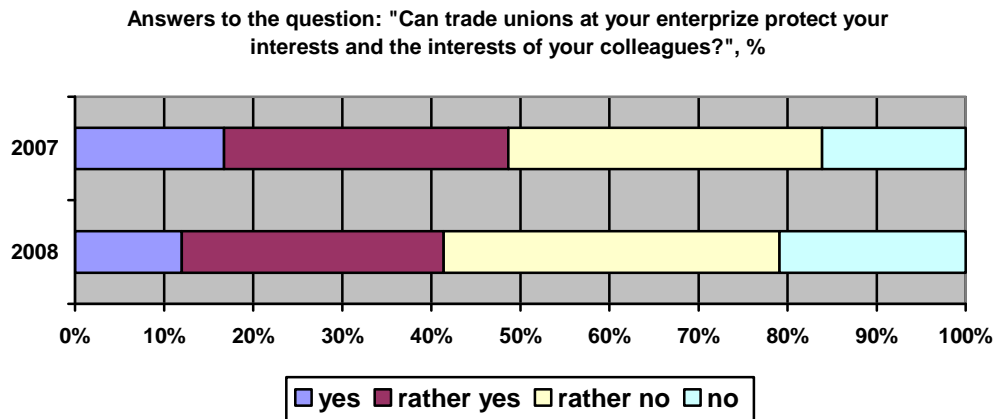
Less than half of the responding employees in 2008 (41%) thought that trade unions protect their rights in the company (about 5000 people are working at TNK companies). So it boils down to the fact that the main role as seen by trade unions was not perceived by the majority of those receiving these services. At the same time, one can note a rather high level of trust toward trade unions, although overall in Russia, according to national polls, only 27% of members reply positively to the question whether they see trade unions as the protectors of their rights.

**Figure 3.**



To the question “Are trade union capable of protecting the interests of the employees at the moment?” only 17% of respondents replied positively in 2007 and 12% in 2008; 16% replied “no” in 2007 and 21% in 2008. The majority of respondents (67% in both years) could not definitely formulate their position: approximately half of them answered “rather yes, than no” and the other half – “rather no, than yes”. Interesting fact – the answers were not differed by occupational groups, ages, gender.

**Figure 4.**



### 5.3. Trade Union Membership

Research shows the level of membership in trade unions depends neither on the sphere of the enterprise and the number of employees nor the regional location of the company. The *change in the number of members is determined only by subjective factors*. “The usefulness” of trade unions is measured by the level of their loyalty to the management and the volume of delegated responsibilities that are part of management’s competence. It is rather an exception to have an independent trade union at an enterprise. The stability of the trade union’s position at an enterprise depends in many ways on the personal qualities of its leader. Trade union leaders who win are either integrated into the administrative system of the enterprise, or they try to find mutual agreement to fulfil a number of functions delegated by the management. Another option is try to develop constructive dialogue with the management for the sake of reaching “social peace” at the enterprise.

Factors that make people leave the trade union include:

- **The distributive function of trade unions coming to a minimum:** The distribution of social benefits is transferred completely to the management of the enterprise. Employees started realizing that the source of social benefits (social packages and programs) is the revenue of the enterprise and that the body giving it to them is the owner and manager who acts on behalf of the owner or stakeholders. “Now people don’t see what a trade union can do at all. Before it distributed vouchers for trips, free accommodation, access to kindergartens and hostels. At the moment the trade union is not involved in that.” The role of trade unions in solving these questions came down to just taking part in the joint panels with the management. Trade unions:

employees more often are asking a question “do we need a trade union that does not have anything to distribute any more?” and employees then leave them.

- **Social benefits and privileges are distributed to all employees no matter whether they are members of trade unions or not:** The collective agreement does not give trade union members the exclusive rights to social packages and benefits provided by the company. This right is extended to all employees. That is why for most of the employees the need to pay the membership fee becomes obsolete. That’s why “employees leave the trade union and if they stay it is mostly because of inertia”.
- **The inactivity and passiveness of trade unions:** In solving the problems of an individual employee or a group of employees (e.g., lack of support for requests of salary raise). For employees this is a strong argument to leave the trade union.
- **Limit of trade union activities to organize mass events - supported by the management:** “Our trade union is very good at organizing various events, concerts, etc. Let them do that. The rest is none of their business; we will deal with that ourselves.” At one of the enterprises research showed that this was the reason for about 14% of members leaving the trade union within a year.
- **Obvious conflicts between the management and trade unions that make solving employees’ problems even more difficult:** “The arguments between the chair of the trade union and our director are already getting on everyone’s’ nerves. I will leave the trade union now for sure, since it does not mean anything for the director. Why am I paying the membership fee if they cannot solve even minor problems?”
- **Management policy aimed at making people leave the trade unions:** “In return” for salary raise.
- **The high rate of membership fee:** (1% of the salary, the fee is automatically deducted from the salary) for the low-paid workers and the lack of desire to “make the salary of top-paid employees known” (in many companies the gap between the top management and workers pay can be ten times or more).

On the other hand, factors that stimulate growth of trade union members consist of:

- **Management support of trade unions:** The level of membership at such enterprises varies between 85 and 95%. The number of trade union members in the company does not depend on the “strength” of the trade union, but on the way the management is treating the trade union. One of the forms of support by the management is by them joining the trade union.

- **Protection of employees from redundancy:** During restructuring in order to work more effectively.

An interesting question is whether being a member of a trade union confers any benefits at all. This can be answered by comparing the replies of the respondents who are and are not members of trade unions.

Thus, the position of an employee is not influenced in any way by the fact whether he/she is a trade union member or not. It is more influenced by their level of integration into the social and working life and the organizational culture of the company. This is proved by the fact that such factors such as satisfaction with the salary, working conditions and structure of motivation are relevant for both members and non-members. The conclusion that trade union membership is useless becomes even more obvious if we look at the implementation of centralized social policy at enterprises and the fact that according to the Labor Code of the Russian Federation the collective agreement is valid for all the employees without any reference as to whether they are trade union members or not.

Another point is that trade union membership can enhance the process of the employees' adjustment to a new working place and its corporate ethics and culture. It is also obvious that trade union membership widens the possibilities of making use of labor rights protection. This can be proved by the fact that the employees who are not part of trade unions have twice as many labor disputes on different issues. It is also of interest that even non-members often turn to trade unions for help.

Speaking about the non-members of trade unions, we can note that they do not have a negative attitude toward the trade unions. This can be proved by the fact that the evaluation of trade union organizations and their activities at the enterprises is the same both by members and non-members. Some evaluation diverges, but trade union members give more positive answers.

## **5.5. Labor Disputes**

### **5.5.1. Number of Labor Conflicts at National Level**

From 2006 until the fall of 2008 (until the financial crisis), there has been another outburst of collective protest movement in Russia. The official statistics do not, unfortunately, reflect the real situation, since figures are published very late, but even those that are published show only the collective protest movements that were "officially registered and allowed". First of all, strikes not officially recognized are not taken into consideration. Secondly, the strikes and demonstrations of a warning character that last for less than one day are also not counted. Thirdly, when estimating the

protest activity of employees in Russia, we cannot just look at strike dynamics, since the difficulties in organizing a strike means that mass protest often takes other forms.

According to analysis sources on the Internet that have information on protests, strikes and hunger strikes organized by employees of Russian companies over the period of the first three quarters of 2008, 66 collective working conflicts were registered. Moreover, their number is growing:

First quarter of 2008 - 17 conflicts;

Second quarter of 2008 - 19 conflicts;

Third quarter of 2008 - 30 conflicts.

It is difficult to say what exactly the meaning is of the growing number of registered conflicts, in terms of either the growth of the registered number of conflicts or the growth number of mentioned conflicts (by journalists or by people in internet sites). The Internet does not provide information on all the conflicts, only on the most meaningful ones that were noted by the press and information agencies. Some conflicts, for example, the strike of the Moscow region train operators, was covered widely in dozens of publications, whereas another very important and large-scale strike of dockers in St. Petersburg at the same time was hardly covered at all. Some strikes become the theme of analytical articles where its reasons, consequences and specifics of the strikes are described, whereas others just appear on televised news. However, even this coverage, while not necessarily full, allows us to get an understanding of the scale and numbers of labor conflicts in the country.

Figures on the regional occurrence of registered labor conflicts are provided in the table below. In the third quarter, the leader in terms of conflicts was the Far-East region. Taking into consideration that this is one of the most scarcely populated regions, the number of registered conflicts here is very impressive.

Collective labor conflicts occur in all sectors of the economy. First, they occur in the production sector, from the extractive industry to high-tech machine building. There are many conflicts in the transport sphere, service and metal industry, gold mining, health, commerce, municipal economy and even military sectors. The budget sector is not an exception either. It is impossible to single out any special conflict area at the present time.

In many cases, employees' requirements relate to salary raise. However, if salary raise requirements can be considered normal for a market economy, then the requirement to pay belated salaries cannot be called normal at all. In this case, we are talking about long-term, sometimes several months belated salary payments, when employees were not receiving any salary at all.

Today’s return to this theme from the 1990’s is a worrying symptom that shows lack of progress in labor relations in the last ten years. The requirement to maintain working places and to improve working conditions are met more rarely.

**Table 3.**  
**Number of the Registered Labor Conflicts in the Federal Regions in the First Three Quarters of 2008**

|              | Central   | South    | North-West | Far-East  | North     | Urals    | Volga    |
|--------------|-----------|----------|------------|-----------|-----------|----------|----------|
| 1 quarter    | 8         | -        | 2          | -         | 2         | 4        | 1        |
| 2 quarter    | 5         | 1        | 3          | 1         | 7         | 2        | -        |
| 3 quarter    | 4         | 5        | 1          | 10        | 1         | 3        | 7        |
| <b>Total</b> | <b>17</b> | <b>6</b> | <b>6</b>   | <b>11</b> | <b>10</b> | <b>9</b> | <b>8</b> |

Most of the registered actions take the form of unsanctioned actions—work stoppages, hunger strikes or random actions. As practice shows, courts do not consider such strikes official, even if they originated as official collective labor disputes. The unsanctioned strike of the Moscow railways workers who tried to initiate a collective labor dispute last year led them to understand that there is a need to run unannounced strikes that cannot be prevented or ignored. This method seems most effective for attracting the employer’s attention to the need to engage in dialogue as well as attracting the attention of the state.

The role of trade unions in labor conflicts does not appear to be very important. In the best case, the trade union “supports” the strikers, providing consultations for them and helping in negotiations. The trade unions themselves can rarely initiate a legal strike in the framework of a collective labor dispute. That is why employees begin acting before the trade union can start the whole complicated procedure of preparing for a strike. The trade union cannot join or lead such an action, while it would be in this case responsible for it.

**5.5.2. Protest Actions in the Industry Sector of Economy**

The most famous strikes in recent years took place in the “richest” sectors of industry (fuel and energy complex) and at companies that have foreign owners (automobile and food industries). The typical traits of these collective actions were as follows:

- The protest was organized not by the industry sector trade union or national trade unions, but by a low level professional active group. The protests started with the common trade union demand to raise salaries and turned into all-city protest actions.
- Protest actions looked very moderate. The organizers of the movement were ready to act only in accordance with the law and stressed that they did not favor strikes and had no political claims.
- In 2007, some protesters agreed to some concessions. *“Ford” employees agreed to a 13-15% salary raise (though they asked for 30%) and Heineken (St. Petersburg) employees agreed to a 30% salary increase (though they asked for 50%)*, From then onwards, in 2008, trade unions organizing protest movements did not agree to any compromises.
- Collective meetings result in the set up of alternative trade union organizations. The leaders of the alternative trade unions are not employees of the Company.

The main reasons for the activation of collective protest actions were:

- Low salary of the employees in comparison to the high revenue of the Company, but at the same time the level of salary in these companies is three times higher than the average salary level in the country.
- The company’s management made mistakes in social policy.
- The company’s refusal to invest in a labor management system and “socially responsible” restructuring.
- The appearance of a specific group of dissatisfied employees as the result of the abolishment of a department in the company.

The strike usually results in the employer meeting the demands of the strikers. The success factors are as follows:

- Large companies are interested in preserving their reputation as a civilized employer.
- Power structures are interested in building the investment attractiveness of their region and preserving social peace before elections.
- International trade unions provide support to employees.

The relevant balance of social interests in the company is maintained, but the level of conflicts remains the same. The constant area of tension is mainly dissatisfaction with the salary level.

Despite noticeable improvements in the social and labor spheres, the level of potential protest activities has not decreased. The readiness for strikes was expressed by every fourth employee as in 2004. The potential risk of such attitudes lies in the possibility of the set up of trade unions that would be an alternative to the current ones, loyal to the management. They would look more



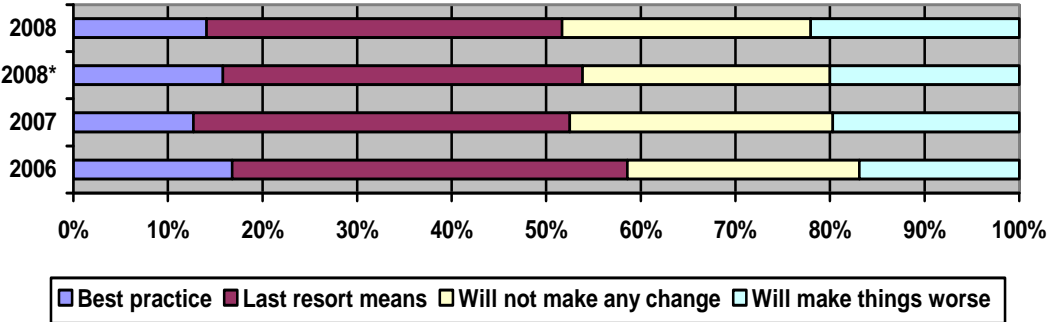
attractive for those employees who are not satisfied with their salaries and the consenting position of the existing trade unions in the company. Taking into consideration the need for strengthening the protective functions of trade unions and the fact that the existing ones are not fulfilling it, this niche remains free.

At present labor disputes are solved by the joint forces of trade unions and management, but the existing practices show the ineffectiveness of such mechanisms. In many cases, the conflict does not get solved and over a third of employees never turn for help anywhere else after that, thinking that it is useless. That is why, over the last several years, the level of latent conflicts has been growing and dissatisfaction accumulating, coming to surface from time to time in a form of radical protest.

**5.5.3. Employees’ Attitude to Strikes: Research Results**

The growing number of conflict situations in the social and labor areas brings about a reasonable question about how far employees are ready to go when protecting their interests and rights, including participating in open protest actions. With the aim of finding an answer to that, employees were asked a question “What is your attitude to strikes?” in the poll of 2008. The graph below shows that the attitude to strikes did not change much over the period of 2006-2008. Half of the respondents do not accept the very idea of a strike and the other half thinks it is acceptable in principle, but most see it as radical means of handling a collective labor conflict.

**Figure 5.**  
**Employees’ Attitude to Strikes, 2006-2008,%**



Among employees with different status, workers favor strikes more than engineers and specialists (15%-18% against 5%-10%). The attitude towards strike is differed by educational status: only 10.4% employees with a higher education considered a strike as the best means and

43.2% of them considered a strike as the means of last resort. The reverse situation can be observed in the group of workers without technical education: 47% of them consider strikes as the best means and 22% of them considered a strike as the means of last resort.

## **6. Social Partnership and Collective Bargaining Process**

The normal functioning of the labor market in a contemporary economy presupposes the existence of a developed institutional infrastructure that includes legal regulations, a system of employment services that provides social protection and help in finding a job for the unemployed population, and an organization of employees and employers who would be open for negotiations of salary and working conditions. In most developed socially oriented economies, institutions of social partnership are formed.

There are principal differences to understanding the essence of social partnership. According to one approach, it involves working out civilized forms of preventing and solving labor conflicts (economic layer of social dialogue). According to another approach, it presupposes the collective responsibility for the results of economic activities and collective participation of employees and employers in the distribution of these results. In yet another understanding, social partnership is the key element of socially responsible business.

Researchers have reached different conclusions in regard to the development prospects of social partnership and its consequences. However, very few argue with the statement that, in the case of individualization and growth of flexibility in the job market, there will be a need to modernize the traditional forms and methods of employees' rights protection through large trade union organizations and parallel development of alternative mechanisms. These problems are now equally important for well-developed countries as well as for developing economies where traditions and a low level of legal and social protection of employees significantly distort the natural course of social dialogue establishment and social partnership.

At the enterprise level, the process of collective bargaining is usually highly formalized and the main function of the trade union at the preparation stage is to “*realistically estimate the common list of suggestions and choose the positions that can be selected for the collective agreement and then fulfilled*”. At this stage there is a sifting of the suggestions that were not included in the business plan (e.g. increase of budget for social programs).

The trade union only formally initiates signing the collective agreement. In reality, trade unions just fulfil formal procedures needed for signing the collective agreement, monitor its expiration date

and announce the need to sign a new one. At the same time, the trade union can effectively use the collective agreement for establishing contacts with the employees *informing them about its content*.

The preparation of the CA is not an independent process.

CA in fact is just an official document stating the social programs fixed in the company business plan. Some of the them could be slightly corrected by TU, but under management control. There are usually no arguments between the two sides of the CA and the arguments that are registered in the protocols for CA never receive the attention of the management and, therefore, are never solved.

The study of the texts of the CA that were recently signed and interviews with the management and trade unions at enterprises showed that a CA is a combination of a “summary of the labor code”, the standards of which even without the CA should be followed (e.g. the sides agree that working time per week does not exceed 40 hours) and internal standard documents of the company. Any new positions can be included in the CA only after discussion with the HQ and inclusion in the business plan. There are even cases when CA includes violations of the labor code (regarding the trial period, salary payment, etc.)

Overall, it can be said that the area of the CA regulation in many companies is highly restricted by administrative and financial rules. That is why a major part of the questions that are envisaged by the Labor Code are not addressed: “if there is no money in the business plan, it does not matter how attractive the CA will be, it will not be implemented”.

In this situation, any CA is inevitably doomed to have a merely formal character. That is why it usually contains points that do not require any financial investment.

## **7. Conclusion**

Before the current crisis, the position of trade unions at most enterprises was stable. This is confirmed by high trade union membership, high numbers of top management in TU and the lack of any sign of open confrontation between unions and management. However,

- Trade unions are clearly removed from social policy making in companies. The traditional partnership of the trade unions and management in realization of social programs is gradually reduced to trade unions being aids and fulfilling technical and registering functions.
- The role of the trade union as the protector of employees rights’ that translates their interests to the different levels of management is insignificant as well as the level of trust by employees in their union. Employees do not see trade unions as the main protectors of their interests.

The critical point when a strong and independent trade union can be a threat to the company will not be realized in the foreseeable future. On the contrary, the weakness and passiveness of trade unions lead to a high level of potential conflicts at the enterprise being formed, which is against the interest of the company's management. That is why some companies are still interested in developing the competency and strength of trade unions, pushing them to develop and be more active within the company. Trade unions form public opinion and influence the image of the company. This is a more obvious reason for the employer to avoid conflict with the trade union and find ways for constructive cooperation. Good contact with the trade unions brings advantages and opportunities for singling out conflict situations and reacting to them before open protest occurs.

The period of economic growth showed a slight increase in employees' attention to trade unions. Employees' attitude became more pragmatic (what does a trade union give me?) and is noted in concrete actions. Membership numbers in trade unions became one-sided: at some enterprises the numbers grew and at others they went down. This tendency stopped having a long-term and one-way characteristic.

During the current crisis, the few positive tendencies in terms of relations between trade unions and employees on the one side, and employers on the other can change drastically for the worse, while:

- Social and economic conditions of employees will worsen (real threat of losing a job, income cut, growth of national unemployment rate and fewer opportunities of finding another job, etc.).
- The protective functions of trade unions will weaken. Trade unions will face a dilemma—either to support the management that is planning to cut personnel and/or salaries, or to support employees thus confronting the management (which is not typical for trade unions and, more importantly, will not have any effect in the current conditions of the decrease in consumer demand for the products of the company).
- There is a gap between the factual role of the trade union and the conception that employees have of that role. The level of trust in trade unions and its authority will diminish. A loss in membership can be expected.

There are reasons to suppose that trade unions will choose to support the management rather than employees. Their dependence on the management will turn out to be stronger than their "love for the people".

During the economic crisis, the current forms of the trade union and management cooperation will have to go through new challenges. This will especially affect companies where a balance was found meeting the interests of both sides in labor relations. The reasons are as follows:

- The traditional area of trade union work—distribution of social benefits—will be further narrowed (social programs will be cut or abolished by companies). The need to use the trade union as an administrative resource will disappear.
- The responsibility for any conflict situations at work will be shifted to the trade unions (both by the employees and employers). The trade unions can become the “scapegoats”.
- The worsening economic situation will make trade unions “dance to the management’s tune” within the company (as during Gorbachev’s era) and/or unite with the management to fight for additional state subsidies (as occurred during the crisis in the 1990’s). Protection functions will again be forgotten and the trade unions prefer to opt for strengthening their relations with management.